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FINANCIAL TIMES

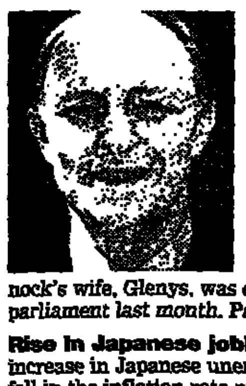
Europe's Business Newspaper — WEEKEND JULY 30/JULY 31 1994 — D8523A

Lloyd's likely to scrap three-year accounting period

Lloyd's of London may remove the requirement for the insurance market's underwriting syndicates to report their results over a three-year period. The move should lead to quicker release of profits to both corporate capital and Names, the individuals whose assets support the market.

The practice of three-year accounting is rooted in the origins of Lloyd's, which derived its business from insuring trading ships on their voyages around the world, which usually took three years. Page 6

Kinnock becomes European Commissioner



Former UK Labour party leader Neil Kinnock (left), whose appointment as a British member of the European Commission was confirmed yesterday, is to seek to overturn the opt-out secured by prime minister John Major from the regulations that can be imposed on employers from Brussels. Mr Kinnock's wife, Glenys, was elected to the European parliament last month. Page 6

Rise in Japanese jobless: Figures showing an increase in Japanese unemployment and a sharp fall in the inflation rate provided further evidence of the weakness of the country's economy. Page 3

Two shot dead at abortion clinic: Two people, one a doctor, were shot dead outside a Florida abortion clinic. An anti-abortion protester was arrested.

Moscow attacks Chechnya leader: The Russian government accused Dzhokar Dudayev, leader of the rebel region of Chechnya, of destabilising the whole of north Caucasus and called on the Chechen people to topple him.

Terrorist targets identified last year: A UK security report identifying buildings including London's Israeli embassy, which was bombed this week, as potential targets for car-bomb attacks was produced at the end of last year. Page 7

40 hurt in Ulster mortar attack: Forty people, including 38 civilians, were hurt when terrorists fired three mortar bombs at a police station in the centre of Newry, Co Down.

Spanish general killed: An army general, his driver and a civilian were killed when a car bomb, believed to be the work of Eta Basque separatists, exploded in central Madrid.

Date set for Simpson trial: A Los Angeles judge set September 20 as the trial date for footballer O.J. Simpson, who has pleaded not guilty to the murders of his ex-wife and her male friend.

Higher retail income lifts BAA profits: BAA, the former British Airports Authority, raised first-quarter pre-tax profits by 11 per cent to £111m, helped by rapidly increasing retail income. Page 10

Credit Suisse falls 27%: Swiss bank Credit Suisse, flagship of the CS Holding financial services group, reported a 27 per cent fall in interim pre-tax profits to SFr1.76bn ($1.3bn), caused partly by a slump in international stock and bond markets. Page 11

Copper mine to be world's biggest: The Escondida copper mine in Chile is to be expanded at a cost of $520m to make it the world's biggest by mid-1996. Page 11

Sapporo Beer ahead 41%: Interim pre-tax profits at Japanese brewer Sapporo Beer rose 41.2 per cent from a year earlier to Y6.9bn ($66.4m), due to a rise in demand. Page 11

First UK lottery draw in November: The UK's first National Lottery draw will take place live on BBC Television on November 19, less than six months after the Camelot consortium was chosen as the lottery's operator. Camelot yesterday unveiled its logo (above) – a smiling hand with crossed fingers. Page 4

Big rise in purchase prices: The prices paid by manufacturers for materials are rising sharply, according to the latest purchasing managers' index, increasing fears that inflation may be set to accelerate. Page 7

Turners stolen: Two paintings by English master William Turner were stolen from a Frankfurt gallery. The pictures, valued at £10m ($15.5m) each, were on loan from London's Tate Gallery.

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Bank's market dealings spark expectations of half-point increase

Anxiety over rate rise grows

By Philip Coggan and Philip Gawith

Financial markets yesterday signalled their expectation of an imminent rise in UK interest rates. This was based on Bank of England dealings in the money markets which persuaded many traders that a half percentage point increase was likely.

Although the markets found the Bank's dealings confusing, anxiety about a rise in rates prompted selling in the futures market. By the close last night, short sterling, the futures market's medium for speculating on interest rate changes, pointed to short-term rates of over 6 per cent by September compared with current base rates at 5.25 per cent.

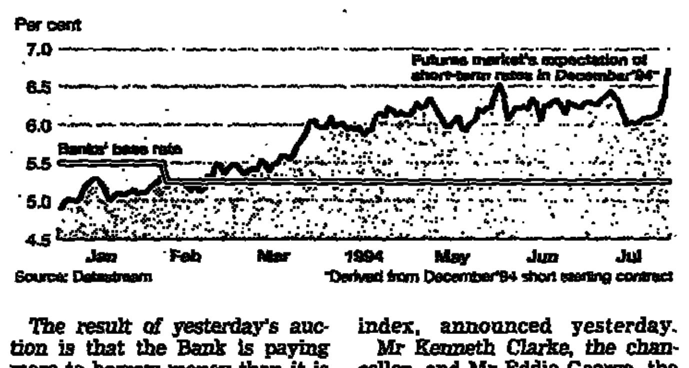
The prospect of higher rates bolstered the pound which finished in London at DM2.4413, more than 2 pfennigs up on Thursday's close of DM2.4195.

The Bank yesterday accepted bids for Treasury bills – short-term debt issued by the government – at rates of up to 5.75 per cent, half a point above current base rates. That was interpreted by some traders as a sign that base rates would rise shortly, either on Monday morning or on Tuesday when the Bank publishes its quarterly inflation report.

In its daily operations, however, the Bank dealt at unchanged rates, before and after the Treasury bill auction. These money market activities are the Bank's traditional method of signalling its desired level of base rates.

While some economists now expect base rates to rise by half a point next week, others thought the Bank did not intend to increase rates and had merely miscalculated the market's reaction to the Treasury bill announcement. In the confusion, many talked of "mismanagement" by the Bank.

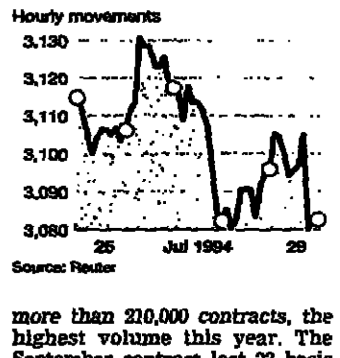
UK interest rates, present and future



Source: Datastream — *Derived from December'94 short sterling contract

FT-SE 100

Hourly movements



Source: Reuter

The result of yesterday's auction is that the Bank is paying more to borrow money than it is receiving for lending it, a position which cannot last for an extended period.

Markets were already jittery about a possible base rate rise, with evidence of inflationary pressure in the Confederation of British Industry's quarterly survey, released on Tuesday, and in the purchasing managers' index, announced yesterday.

Mr Kenneth Clarke, the chancellor, and Mr Eddie George, the Bank's governor, held their monthly monetary meeting on Thursday. Interest rate decisions are taken at the monthly meetings although the timing of the change is left to the Bank. Speculation about rate changes is accordingly at its peak in the days following the meeting.

Trade in short sterling reached more than 210,000 contracts, the highest volume this year. The September contract lost 33 basis points to close at 93.95.

The FT-SE 100 index fell by 26.2 points at one stage before closing 13.3 points down on the day at 3082.6.

Big increase in purchase index, Page 7
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Silvio Berlusconi (pictured) announced the creation of a special commission to distance his business interests from his role as Italian premier. The move came after Mr Berlusconi's younger brother, Paolo, surrendered to Milan magistrates to answer charges of paying bribes to the financial police Page 24 Reuter

Tribunal critical of high pay-outs to forces mothers

By Lisa Wood, Labour Staff

A number of large pay-outs to former servicewomen who were sacked after they became pregnant were "manifestly excessive" the Employment Appeals Tribunal ruled yesterday.

However, the appeals tribunal said most of the seven ex-servicewomen whose cases were taken to appeal by the Ministry of Defence could keep the bulk of their compensation because of the way the Ministry of Defence presented its case. Two women will have to return to industrial tribunals for reassessments.

Mr Justice Morison, tribunal chairman, said: "The large awards, running into many tens of thousands of pounds, seem quite out of proportion to the wrong done."

The MoD, which welcomed yesterday's decision, has already paid out £16m in settlements since 1990 when the European Court of Justice ruled that the armed forces were not exempt from EC legislation making it illegal to dismiss a woman because she was pregnant.

The ministry said at the time that pregnant women dismissed since 1978, when the UK government was obliged to have implemented an EU equal treatment directive, were entitled to compensation. Until today's ruling it had claimed it faced bills of up to £100m if the principle of large awards had been upheld.

The level of future awards to ex-servicewomen dismissed because of pregnancy is now likely to be much lower for the 1,700 outstanding claims.

The seven test cases involved women who lost their jobs between 1978 and 1990 and who received awards of up to £173,000. The awards were made after the

Continued on Page 24

Lloyds up 21% at half-year but rivalry fears hit shares

By John Gapper, Banking Editor

Shares in Lloyds Bank fell sharply yesterday despite a 21 per cent rise in half-year pre-tax profits to £605m. The marking down of the stock reflects concern among investors that clearing banks are starting to compete for business by cutting loan margins and charges.

Lloyds' results reinforced fears that banks are building up more capital than is needed to meet slack demand for loans. Analysts said banks were likely to start reducing charges to attract business in an overcrowded market.

Lloyds' shares fell by 18p to 544p. Other bank shares declined. Lloyds raised its interim dividend by 14 per cent to 7.5p, but the increase was not as great as some analysts had predicted, given the bank's generation of capital.

Sir Robin Ibbs, Lloyds' chairman, said the bank was confident it would succeed with its £1.8bn agreed bid for Cheltenham & Gloucester Building Society. C&G is expected to announce revised terms in mid-August for sharing the cash among its members.

Sir Robin emphasised that the C&G purchase would not be the last acquisition considered by Lloyds. "Just because we are moving towards a satisfactory conclusion with C&G does not mean we are pulling down the shutters," he said.

He said Lloyds would not impose charges on current accounts in credit, although the decision was not a consequence of the capital build-up. "If one is virtuous to begin with, one does not need even more temptation to be virtuous," he said.

Weak loan demand and flat income from charges meant revenue grew only 5 per cent to £1.92bn, against £1.83bn in the first half of 1993.

But the bank's trading surplus rose by 13 per cent to £713m, against £632m, because costs were held down.

Lloyds gained from the improvement in credit quality among UK companies in the first half of the year as the effects of

Continued on Page 24
Future worries affect present, Page 10
Lex, Page 24

Russia's teetering MMM slashes fund price

By John Lloyd in Moscow

Russia's MMM share fun[d] teetered on the edge of oblivio[n] yesterday as it slashed th[e] redemption price of its shar[es] from the last quote of Rbs115,00[0] (£37) to Rbs1,000, sending inve[s]tors streaming into Moscow['s] commodities exchange in desper[]ate attempts to sell their paper.

In the early evening an es[ti]mated 25,000 angry shareholde[rs] gathered round MMM's hea[d]quarters in a dowdy Moscow su[b]urb. They blocked off the mul[ti]lane Varshavskoye Chaussee a[nd] attacked the policemen guardi[ng] the building. Riot police were [in] reserve in and around the buil[d]ing, but were not deployed.

Mr Sergei Mavrodi, MMM's el[u]sive head, issued a written stat[e]ment in the early afternoon sa[y]ing the price cut was tempora[ry] and that "in two or three mont[hs] the price will return [to] Rbs100,000 or more. We are si[m]ply taking economic measures [to] force shareholders to wait a[nd] hold on to the shares for two [or] three months".

Mr Mavrodi, in the anti-autho[r]itarian style he has adopted [in] recent days, blamed the gover[n]ment for the plight of the fu[nd] and the 10m citizens he claims [as] shareholders (other estimates p[ut] the number at 2m-5m).

The Russian government h[as] recently questioned MMM's s[ol]vency. Mr Mavrodi said: "We'[ve] been stopped on the eve of [a] super breakthrough, after whi[ch] Russia could have become t[he] richest country in the world a[nd] Russians – MMM shareholders [–] wealthy people."

He said that allegations ma[de] by the finance ministry and t[he] inspectorate that MMM was [a] classic "pyramid scheme", [in] which the purchases of ne[w] shareholders fund the profits [of] the old until expansion stop[s] were "absolutely false".

The crowds around the MM[M] headquarters were general[ly] phlegmatic before the eveni[ng] outburst. Most of their ang[er] appeared to be directed more [at] the government than at MMM.

Continued on Page [..]
The Possessed, Page [..]

STOCK MARKET INDICES

FT-SE 100:	3,082.6	(-13.3)
Yield	4.06	
FT-SE Eurotrack 100	1,387.9	(+15.84)
FT-SE-A All-Share	1,645.74	(-0.3%)
Nikkei	20,449.39	(+201.54)
New York: lunchtime		
Dow Jones Ind Ave	3,761.58	(+30.75)
S&P Composite	458.89	(+4.65)

■ LONDON MONEY

3-mo Interbank	5⅛%	(5⅛%)
Liffe long gilt fut:	Sep 101⅝	(Sep101⅜)

■ US LUNCHTIME RATES

Federal Funds:	4⅛%
3-mo Treas Bills: Yld	4.366%
Long Bond	86½
Yield	7.398%

■ NORTH SEA OIL (Argus)

Brent 15-day (Sep)	$18.61	(18.11)

■ GOLD

New York Comex (Aug)	$383.0	(384.8)
London	$383.9	(387.3)

■ STERLING

New York lunchtime:		
$	1.52825	
London:		
$	1.5366	(1.5319)
DM	2.4413	(2.4195)
FFr	8.3408	(8.2905)
SFr	2.0675	(2.0481)
Y	153.924	(151.684)
£ Index	79.4	(78.8)

■ DOLLAR

New York lunchtime:		
DM	1.58725	
FFr	5.4195	
SFr	1.34375	
Y	100.10	
London:		
DM	1.5888	(1.5795)
FFr	5.4283	(5.3925)
SFr	1.3456	(1.337)
Y	100.175	(99.02)
$ Index	63.6	(63.3)
Tokyo Y 99.93		

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Austria Sch32; Bahrain Din1.250; Bermuda $2.00; Belgium BFr65; Canada C$1.75; China RMB28.50; Cyprus C£1.10; Czech Rep CZK50; Denmark DKr16.00; Egypt E£5.00; Finland Fmk14; France FFr9.50; Germany DM3.50; Greece Dr350; Hong Kong HK$18; Hungary Ft185; Iceland IKR215; India Rup60; Indonesia Rp4 050; Israel NS0.90; Italy L3000; Japan Y500; Jordan JD1.50; Korea Won 3500; Kuwait Fils625; Lebanon $US1.50; Luxembourg LFr65; Malaysia Rin4.80; Malta Lm0.60; Morocco Dh15.00; Nigeria Naira50.00; Netherlands Fl4.00; Norway Nkr17.00; Oman OR1.50; Pakistan Rs40; Philippines Peso 50; Poland Zl 32,000; Portugal Esc225; Qatar QR13.00; S.Arabia Rls11.00; Singapore S$4.30; Slovak Rep KSL50; South Africa R12.00; Spain Pta225; Sri Lanka Rup30; Sweden SKr16.00; Switzerland SFr3.30; Taiwan NT$65; Thailand Bht50; Tunisia Din1.500; Turkey L30000; UAE Dh12.00; USA $1.50

NEWS: INTERNATIONAL

Stalin's troops looked on with folded arms as 20,000 Poles fought to the death

Heroism and wickedness in Warsaw

Few episodes of the second World War revealed so clearly the depths of human wickedness and the heights of personal and collective heroism as the Warsaw rising, whose 50th anniversary will be commemorated this weekend in the Polish capital.

The rising, 63 days of increasingly desperate street fighting between 150,000 ill-armed volunteers of the Polish Home Army (the AK or Armia Krajowa) and a pitiless Nazi annihilation force, took place while Stalin, whose soldiers were encamped just across the River Vistula, looked on with folded arms, and the western allies were preoccupied with the battle for France.

Walesa has invited Russian and German leaders to commemorate the anniversary of the tragic Warsaw uprising. Anthony Robinson reports

"The decision to launch the rising represents for the Poles the most tragic mistake in their recent history," wrote historian Norman Davies, author of "God's Playground", the most authoritative contemporary history of Poland. Its failure scarred a generation of Poles and set the scene for 45 years of east-west mistrust and the Cold War.

Given this background, the decision of Polish President Lech Walesa to invite the Presidents of re-united Germany and post-communist Russia, as well as representatives of the war time allied powers, to this weekend's ceremonies has been controversial. Intended as a gesture of forgiveness for crimes which Poles will never permit to be forgotten, the Russo-German presence has been fiercely criticized by Mr Walesa's domestic political opponents and nationalist critics.

Mr Roman Herzog, the recently elected German president, accepted under the unfortunate misapprehension that the object of commemoration was an earlier slaughter of the innocents, the desperate Warsaw Ghetto uprising of April 1943 when the last remnants of the Jewish ghetto fought a doomed battle to prevent their transport to the death camps, while Russian President Boris Yeltsin passed the invitation on to lesser officials. Prime minister John Major is representing Britain but US President Bill Clinton, who toured central Europe before the Naples summit, is sending vice president Al Gore.

The international line-up may be lighter and more controversial than hoped. But nothing can take away from the significance of the event being commemorated.

An exhausted Polish combatant in the middle of the failed uprising against the Nazis. Around 20,000 Polish combatants were killed and 225,000 civilians. Some 550,000 survivors were sent to Pruskow concentration camp.

Five decades ago Soviet forces under General Rokossowski had advanced to the suburbs of Warsaw. German troops under General Erich von dem Bach-Zelewski were evacuating stores and preparing to vacate the city. In his makeshift underground headquarters General Tadeusz Bor-Komorowski, commander of the Polish Home Army and the chief delegate from the Polish government in exile in London were debating how and when to strike what they hoped would be a decisive blow for liberation.

On the evening of July 29, Moscow Radio broadcast to Warsaw that "the hour of action has arrived." This apparent invitation to take up arms against the retreating Nazi's was accompanied by the first sighting of Soviet T-34 tanks in Praga, a suburb just across the river Vistula from the historic town centre.

The rising began at five o'clock on the afternoon of August 1 and ended two months later with the surrender of the last pockets of Polish resistance. It was followed by the forced evacuation of the surviving population and the systematic destruction of 85 per cent of the city on Hitler's express orders.

The outcome of the unequal battle was never in doubt after the hoped for Soviet intervention failed to materialise and the first four days of fighting failed to secure the airport, the railway station or the bridges over the Vistula. Hitler, shocked and angered by the failed bomb plot against him a few days earlier, ordered his commanders back to the city to suppress the rising ruthlessly.

Fighting street to street, and cellar to cellar even continued in the sewers which formed the main lines of communication for the beleaguered AK while German ground troops backed by heavy artillery, dive bombers and tanks remorsely tightened the net. To this day the track of a German "goliath" mini-tank lies embedded in the rebuilt walls of St John's cathedral in the heart of the old city where mass will be said on Sunday in memory of those, soldiers and civilians, who took part.

The last hope flickered and died on September 18 when a daylight air-drop of food and arms by allied bombers left 90 per cent of the aid in German hands. The bombers were forced to fly to the limits of their range from bases in Italy because Stalin refused to allow them to use airfields in Soviet-occupied territory.

It was a telling omen of things to come, which the allies turned a half-blind eye to, preoccupied as they were with breaking out from the Normandy beachheads and unwilling to "antagonise Uncle Joe", the man whose Red Army had torn the guts out of Hitlers armies in the east.

But the Poles had embarked upon the rising harbouring no illusions. Their aim was to liberate the Polish capital from the Nazis and "to mobilise the entire population spiritually for the struggle against Russia."

For the Poles already knew what being "liberated" by Soviet forces meant. Five years earlier, in September 1939, Poland had been violated by Hitler and Stalin together under the terms of the Molotov-Ribbentrop pact.

Poles, and the large pre-war Jewish population in particular, suffered terribly under Nazi rule. But for non-Jews, political and physical repression by the Soviet secret police, the NKVD, in the Soviet-occupied east of Poland was in many ways worse than that imposed by the Gestapo.

To the Nazis the Poles were simply *"untermenschen"* whose ideas and culture were of no interest. For Stalin's commissars, by contrast, Poland's nationalist traditions and "bourgeois" culture were a threat to be eliminated. Hence the cold-blooded murder of thousands of captured Polish officers in Katyn forest, near Smolensk. Hence the mass arrest of Polish intellectuals, priests and teachers and their execution or deportation to Siberia.

The AK's decision to fight for a "Polish solution" to Poland's future was "taken for the most honourable motives by men who had fought selflessly for their country's independence against all comers," writes Professor Davies. But, "the idea that Warsaw could have been held by the AK in the name of the government in exile without a subsequent showdown with the Soviets was belied by all previous experience," he adds.

So it proved. But the tradition of stubborn resistance to foreign occupation embodied by Warsaw's defenders lived on to re-emerge a generation later in the anti-Soviet Solidarity movement. The defeat of 50 years ago turned into the victory of 1989 when Poland became the first of Moscow's satellite states to throw off the Soviet shackles. In so doing Poles started the process which liberated not only central Europe but permitted the re-unification of Germany and the re-emergence of a Russia shorn of its Soviet imperial arrogance. That is the final testament to an immense sacrifice.

Clinton faces a fierce attack over Whitewater

By Jurek Martin in Washington

Republicans in the US Senate yesterday launched a series of savage attacks on President Bill Clinton, his administration and even Mr Robert Fiske, the Whitewater special counsel, for failing to come clean on the affair.

Senator Al D'Amato of New York charged that the White House had "concealed, disguised and distorted the truth, all in the service of politics and the president's self-preservation."

He also accused Mr Roger Altman, the deputy treasury secretary, of deliberately misleading Congress last February in testimony about his contacts with White House officials over criminal investigations into Madison Guaranty, the failed Arkansas savings and loan company at the heart of Whitewater. The affair stems from the first family's land and financial dealings in their home state in the 1970s and 1980s.

The hearings of the Senate banking committee contrasted sharply with those held earlier in the week by its House counterpart, where Congressman Henry Gonzalez, the Democratic chairman, controlled both statements and questions tightly.

Technically on the agenda yesterday was testimony by police and medical officials on the circumstances of the suicide last summer of Mr Vincent Foster, then deputy White House legal counsel. But each member of the committee was permitted a lengthy opening statement before any witnesses were summoned.

Senator Lauch Faircloth of North Carolina, citing old professional contacts between the special counsel and Mr Clinton's legal representatives, accused Mr Fiske of "hiding information that would be embarrassing to the Clintons."

In an interim report, Mr Fiske, a Republican, exonerated administration officials of any criminal wrongdoing in the Madison affair and found that the death of Mr Foster was a clear case of suicide.

This conclusion was endorsed yesterday by Mr Larry Monroe, an FBI special agent, who testified that forensic and other evidence offered "irrefutable proof" that he had taken his own life and that his depression could not be ascribed to concerns about Whitewater.

Mr Foster's family has bitterly complained at the grief caused by allegations from right-wing talk show hosts concerning his death. It had appealed to the Senate committee not to prolong their agony by airing such conspiracy theories at the hearings.

But Senator D'Amato hinted at further dark conspiracies when it was announced that a park service policeman due to testify yesterday was "out of town."

He did not appear contrite when advised that the policeman would in fact be appearing on Monday.

Democratic senators mostly held the line in defending the administration.

Civil rights group suffers fresh blow

By Jurek Martin

The reputation of one of the oldest and most illustrious US civil rights organisations was further damaged yesterday by details of an out-of-court settlement of sexual harassment charges brought against its director.

According to reports in both the New York Times and the Baltimore Sun, the Rev Benjamin Chavis last year committed the National Association for the Advancement of Coloured People to pay up to $332,400 in damages without informing the NAACP's board and its legal counsel.

The plaintiff, Ms Mary Stansel, who briefly worked for the organisation last year, is now additionally suing Mr Chavis and the NAACP for breach of part of the out-of-court settlement under which she would be found a job elsewhere paying at least $80,000 a year.

Several NAACP board members were quoted as saying that they knew nothing of the settlement and subsequent suit and that nothing was communicated about either at the organisation's annual convention in Chicago earlier this month.

Lawyers for Mr Chavis said he denied the sexual harassment charges and he had reached the settlement under duress and in order to preserve his reputation. Good faith attempts were made to find Ms Stansel another job, but she either failed to turn up for interviews or overstated her qualifications, one said.

Mr Chavis was elected executive director of the 85-year-old NAACP in April last year. He took over an organisation with a membership of only about 500,000, less than half that of 30 years earlier, and with current debts estimated at about $3m.

It was also deeply split between traditional moderate integrationists and outspoken black nationalists. This came to a head early in June when Mr Chavis invited Rev Louis Farrakhan, militant head of the Nation of Islam, to participate in a "black summit".

Serbs may face stiffer air power

By Bruce Clark

Tighter economic sanctions and tougher use of Nato air power against the Serbs will top the agenda at today's meeting in Geneva between the five nations which are trying to impose a settlement on Bosnia.

Mr Warren Christopher, the US Secretary of State, said he and his counterparts from the UK, France, Germany and Russia would be considering stricter enforcement of the exclusion zones designed to protect the Bosnian Moslems.

"That will require perhaps a further use of Nato air power," he said.

Shoring up the existing regime of sanctions and exclusion zones would be a milder course of action than the one which is demanded by many US politicians: lifting the arms embargo against Bosnia's Moslem-led government.

But the US administration appears to have soft-pedalled on this idea, for the sake of preserving unity among the five-nation contact group.

Mr Malcolm Rifkind, the UK defence secretary, said yesterday his country remained opposed to lifting the arms embargo, although it would not stand in the way if international support for such a move built up.

Russia was thought likely to acquiesce in some form of pressure on the Serbs, as long as the raising of the arms embargo - which would be anathema in Moscow - is kept off the agenda.

The peace plan's virtual rejection by the Serb side has caused anger in western capitals and embarrassment in Russia, a traditional ally of the Serbs.

Senior Russian officials have unsuccessfully tried this week to persuade the Bosnian Serbs to come up with a more reasonable negotiating position.

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US growth 3.7% in 2nd quarter

GDP now 10 per cent higher than at the trough of recession

By Michael Prowse in Washington

The US economy grew at an annualised rate of 3.7 per cent between April and June partly because companies accumulated inventories faster than in previous quarters, the Commerce Department said yesterday.

Bond and share prices rose sharply on Wall Street as traders interpreted the rise in inventories as a sign that growth would decelerate in the second half, reducing the need for further interest rates increases. Consumer spending grew at an annual rate of 1.2 per cent, a third the pace in previous quarters.

Many economists, however, played down the significance of higher inventories and predicted a rebound in consumer spending later this year.

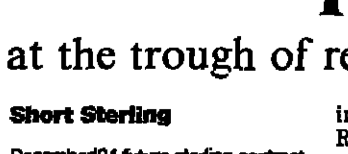
The second quarter gain in output was the 13th consecutive quarter of economic growth following a mild recession in 1990-91. GDP is now nearly 10 per cent higher in real terms than at the trough of the recession.

Data revisions showed growth at annualised rates of 6.3 per cent and 3.3 per cent in the fourth and first quarters respectively, against previous estimates of 7.0 per cent and 3.4 per cent.

Mr John Lipsky, chief economist at Salomon Brothers, the New York brokerage, predicted growth in excess of 3 per cent at an annual rate in the second half, reflecting a rebound in consumer spending and exports, and a further rise in inventories. The Federal Reserve was likely to raise rates by another percentage point to about 5.25 per cent by the end of the year, he said.

Short Sterling

December'94 future sterling contract
Bid price



Source: FT Graphite

Ms Laura Tyson, the chief White House economist, said the figures were consistent with her projections of a 3 per cent rise in both growth and inflation this year.

The gain in inventories was mostly a voluntary adjustment by companies to faster growth.

Inflation was under control, she said. The "fixed price" GDP deflator - a broad gauge of inflation - rose at an annual rate of 2.9 per cent in the second quarter, down from 3.1 per cent in the first three months.

INTERNATIONAL NEWS DIGEST

Britain backs Bonn UN role

Britain sees a German seat on the UN Security Council as both desirable and likely, Mr Douglas Hurd, the UK foreign secretary, said yesterday. It was the second time in a week that Mr Hurd has voiced his approval for a more active German role on the world stage. Asked on BBC radio whether Britain would back a proposal to give Germany a permanent Security Council seat, he replied: "Yes, indeed we would." He added that the UK viewed German admission as a probable outcome of forthcoming debates on the UN's future structure.

UK officials said London continued to link German and Japanese admission to the Council with a broader reform of the institution, in which Latin America, Africa and Asia might also demand seats. Mr Hurd told the German magazine Der Spiegel, in an interview published this week, that Britain welcomed the prospect of a more decisive role for Germany in international affairs. He said it was "childish twaddle" to imagine that Britain might be jealous of President Bill Clinton's enthusiasm for ties with Germany. *Bruce Clark, London*

EU hits back over fraud claim

The European Commission yesterday hit back at allegations that up to 8 per cent of EU funds was going astray each year amid growing fraud in the Union budget. Responding to a highly critical report by Britain's House of Lords, the Commission said the fraud battle should mainly be fought by member states as they were directly responsible for spending three-quarters of the budget.

The Lords report said that while it was impossible to estimate the scale of fraud within the EU it was at least £4bn-£5bn a year, equivalent to 7-8 per cent of the EU budget. The Commission said it had proof that fraud accounted for 1 per cent of the EU budget. "Nobody knows how much the fraud is. If it's at that level it shows total dereliction of duty by member states," said a Commission spokesman. Brussels yesterday set out a scheme under which people who inform on EU fraud could get up to Ecu10,000 (£7,886) for tip-offs. About Ecu200,000 would be earmarked annually for the scheme. *Emma Tucker, Brussels and Stewart Dalby, London*

Warning on Rwanda refugees

The United Nations' top aid official said yesterday Rwanda could see yet another "world record" refugee exodus when French troops pull out of their south-western security zone next month. Mr Peter Hansen, under-secretary-general for humanitarian affairs, issued the warning on his return from the region, where the UN is already struggling to look after more than 2m refugees. About 1.6m Rwandan Hutus have taken refuge in the safe area set up by France, which says it will withdraw its 2,500 troops by the time its UN mandate expires on August 22. The first French troops left yesterday. "If we have a vacuum and that vacuum would lead to instability, we could see an exodus from that zone into Zaire, where there are already 500,000 to 600,000 refugees in Bukavu and Uvira," Mr Hansen said. In Washington, President Clinton asked Congress to approve $320m of extra aid. He said the US was "urgently reviewing" whether to open a new airfield in the Rwandan capital, Kigali, to speed aid deliveries. *Reuter, Geneva and Washington*

Bomb attack in Madrid

General Francisco Veguillas, who as director-general of defence policy played a key role in modernisation of Spain's armed forces, was killed yesterday, together with his driver, when a car bomb exploded alongside his car. The blast, in central Madrid, also killed a bystander and severely wounded at least eight others. The attack, which bore the hallmark of ETA, the Basque separatist organisation, came in the midst of a controversial initiative by the new interior and justice minister Mr Juan Alberto Belloch to allow partial freedom to an initial 30 out of more than 500 jailed ETA members serving long sentences. Gen Veguillas, 69, replaced Admiral Fausto Escrigas, who was also killed by ETA, as director general of defence policy, in 1985. Yesterday's attack brought the number of ETA victims this year to nine, five of them military officers. *Tom Burns, Madrid*

Vote to freeze Ukraine sell-off

Ukraine's parliament voted yesterday to freeze the privatisation of state enterprises for six weeks. Deputies voted 180-62 for a resolution that said the system of privatisation was flawed and had to be stopped until the assembly decided which types of property are not to be transferred to private ownership. It ordered the government to draw up a list of enterprises in transport, energy and communication which should not to be privatised "because of their national significance" and submit the list for parliament's approval in September. The resolution also ordered a review of the mechanism by which foreign investors participate in privatisation. Deputies were keen to prevent enterprises avoiding the competitive process and buying out their leases from the state for a low price. Reformers, including Mr Volodymyr Kuznetsov, head of President Kuchma's economic service, were opposed to the resolution, and said the process of privatisation could not be stopped. *Foreign Staff, London*

Move for Dutch coalition

The tortuous search for a Dutch government coalition entered a new phase yesterday when Mr Wim Kok, finance minister in the outgoing government, said he would try to form a three-party government of his own Labour party, the right-wing Liberals and the left-of-centre D66. The negotiations, which will begin next week, represent the second attempt to put together a coalition of the three parties since the Christian Democrats suffered an historic defeat in the May general election. The first attempt was scuppered by disagreements over social welfare spending. But the differences between Labour and the Liberals in particular have narrowed after Mr Kok unveiled a proposed government programme on Monday stressing cuts in social spending and promising to boost jobs. All four main parties responded positively to Mr Kok's proposals, but he decided to exclude the Christian Democrats from the negotiations because they opposed maintaining levels of social benefits. *Ronald van de Krol, Amsterdam*

Pergau funds repaid early

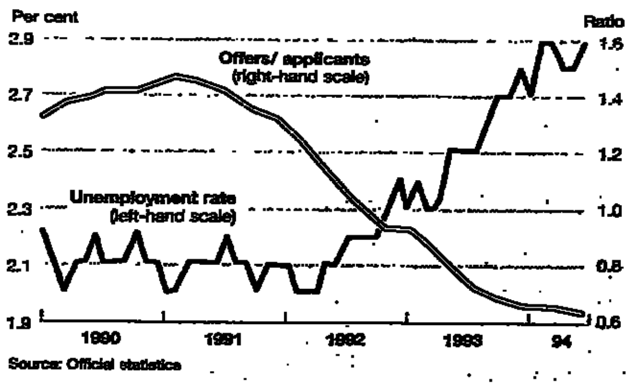
Almost half the controversial subsidised loan provided by the UK government for the Malaysian Pergau Dam project has been repaid early. Tenaga Nasional, the Malaysian electricity authority, yesterday repaid £140m of the £305m loan around 10 years ahead of schedule. As a result the UK government will recoup £9.3m of the £255.3m cash costs of subsidising the loan. This represents savings for the government of the "margin" it pays to the commercial banks which administer the loan, according to officials. But Tenaga is continuing to enjoy the full benefit of the UK government subsidy. The UK government has been criticised by MPs for giving too much of its aid budget to the Pergau project and for using the promise of aid to win a substantial defence contract. *Robert Peston, London*

Spanish trawlers end blockade

More than 300 Spanish trawlers yesterday ended a four-day blockade of most north coast domestic ports, as well as of the border town of Hendaye in France. The blockade was to protest against alleged illegal tuna fishing practices by French vessels. The protest, which has severely affected maritime traffic, including tourist-laden ferries, ended after the Madrid government gave assurances it would insist on strict implementation of EU fishing guidelines and closely monitor the quality of fish imported from France. The "tuna war", over French trawlers' use of drift nets to catch tuna which is then exported to Spain, prompted clashes between the two fleets earlier this month. The Spanish trawler fleet, which uses rods to land tuna, claims the French vessels use nets longer than the 2.5km permitted by the EU. *Tom Burns, Madrid*

Japan's jobless rate nears all-time high

By Gerard Baker in Tokyo



Further evidence of the weakness of the Japanese economy emerged yesterday with figures showing an increase in unemployment and a sharp fall in the inflation rate.

Seasonally adjusted unemployment rose by 0.1 per cent to 2.9 per cent in June, according to the government's Management and Co-ordination Agency. The jobless figure has been rising steadily since the recession began three years ago, and now stands just below its all-time high of 3.1 per cent recorded in May 1987.

Separate figures released by the labour ministry revealed that the job offers-to-applicants ratio declined further last month to 0.63 per cent, the lowest level in more than seven years. The number of job offers fell in the year to June by 6.5 per cent while the number of applicants rose by 13.8 per cent. Employment fell sharply in all the main sectors of the economy, led by the wholesale, retail, and restaurant sector, with a drop of 170,000 workers from a year ago.

Though most Japanese companies have maintained their commitment to lifetime employment, and have avoided compulsory redundancies, they have cut recruitment and encouraged earlier retirement.

Mr Manso Hamamoto, the labour minister, said the figures showed the labour market was "in a continuously precarious situation".

Most analysts agreed. Mr Geoffrey Barker, chief economist at Barings in Tokyo, said: "Despite the reticence of companies to lay off en masse, the unemployment rate is likely to rise above 3 per cent in the next few months."

The inflation figures showed that consumer prices in Tokyo, the bellwether for the rest of the nation, fell in July by 0.3 per cent from a year ago, the first year-on-year drop since 1987.

A sharp decline in fresh food prices was the principal cause of the fall, according to government officials. Poor weather last summer led to a sharp rise in prices a year ago, magnifying the year-on-year decline this month.

But the core inflation rate, excluding food prices, also fell sharply to 0.6 per cent, the lowest level since September 1988.

There was better news with the publication of figures showing an increase in housing starts and a rise in consumer confidence. The construction ministry reported that housing starts were up by 10.6 per cent on a year ago to 147,909 homes, and the Economic Planning Agency reported that its consumer sentiment index rose 7.8 per cent in the three months to the end of June. The index measures expectations in five categories: employment, income growth, prices, livelihood and durable goods purchases.

But even here the good news was tempered by the fact that it was consumers' expectations of lower prices that contributed most to the increase in confidence.

Economists were agreed that, overall, the figures were consistent with very sluggish growth this year. Mr Hirohiko Okumura, chief economist at Nomura Research Institute, said: "Falling inflation and rising joblessness suggest that capacity continues to outstrip demand, pointing to a continuing weak performance by the Japanese economy for the foreseeable future."

Rise in expenditure approved

By Gerard Baker in Tokyo

The Japanese cabinet yesterday approved a 3.8 per cent increase in public expenditure ceilings for the 1995-96 fiscal year, the first rise for three years. The ceilings represent an increase of 4.8 per cent over the initial spending plans outlined in the budget earlier this year.

General operating expenditures – the core budget, excluding debt service costs and grants to local government – are to total Y42,820bn (£284bn) Special factors, such as costs related to next year's upper house elections and the national census, will account for much of the increase.

But the new coalition government of Social Democrat, Liberal Democrat and centrist Sakigake parties agreed to allow investment-related spending to rise by 5 per cent in an effort to stimulate the fragile economy. Current spending is to be cut by up to 10 per cent.

The principal feature of the budget allocations is a new Y300bn special investment fund to allow the government to target priority areas such as farming assistance and telecommunications systems. The tightest financial squeeze will be at the defence agency. Defence spending requests are to be held to an increase of just 0.9 per cent, the smallest rise since ceilings were first imposed in 1961.

Other figures released yesterday showed the government deficit in the fiscal year 1993-94 was Y566.3bn, the second consecutive annual deficit. The figure is expected to increase sharply this year as substantial income tax cuts take effect, increasing pressure on the government to reach agreement on a consumption tax rise.

Japanese take a hesitant look at Aids

Drug users and prostitutes are honoured conference guests, reports Gordon Cramb

Japan's bureaucrats are being reduced to blue-suited bemusement at the arrival of one of the strangest and most feared processions of visitors from abroad since General McArthur's occupying troops hit town 49 years ago.

There will be 3,870 of them at latest count, with the US supplying the largest contingent. Known prostitutes will be waved through by immigration staff at Tokyo's Narita airport in the coming week, while intravenous drug users are assured they have nothing to fear from the normally scrupulous Narita customs as long as they bring in their prescribed methadone rather than heroin, its street equivalent.

Narita personnel are among those who have been given special training in an attempt to ensure they do not offend these honoured guests, whose visit forms part of Japan's effort to secure a role in world affairs more commensurate with its economic stature. The country is hosting the annual international conference on Aids, which starts in Yokohama next weekend.

The bulk of those arriving from abroad for the event will be men in white coats. But the conference, held last year in Berlin, has become an often rowdy meeting ground for the scientists seeking a cure, a vaccine or palliative treatments for the disease, companies hoping to profit from any such developments, and campaigning organisations representing those who have been exposed to the HIV virus.

Activists may, as has become almost traditional, again zap the stand at the conference centre run by Wellcome of the UK, maker of the AZT treatment for which clinical trials continue to report patchy and sometimes detrimental results.

But the campaigners will be present in smaller numbers this year. Some 13,000 participants of all persuasions gathered in Berlin, the large majority of whom came from outside Germany. This time the 4,729 Japanese delegates will predominate, according to figures released by the organising committee yesterday.

In 10 years, it is the first time the conference will have been held in Asia, where after a late start the proliferation of HIV among largely urban populations threatens to cast a shadow over economic growth. "Now the Aids epidemic is truly rampant in Asia, it is meaningful to hold the meeting here," Dr Takashi Kitamura, programme committee chair, said yesterday.

Up to 1m in India's great cities are estimated already to be infected, and the more developed economies represented by the six-nation Association of South-East Asian Nations (Asean) agreed last month (they should seek to "prevent the disease from spreading across our workforce".

The US, Japan and Australia are to help fund an Aids programme for Asean. However, fewer than a tenth of the delegates to the Yokohama conference, which aims to focus attention on the problem facing the region, will be drawn from the Asia-Pacific outside Japan.

For most, the main impediment is a Y80,000 (£527) registration fee and the Y25,000 a night cost of a hotel room near the conference centre. Some 1,500 would-be delegates applied for subsidies, but conference organisers could not say yesterday how many had been granted.

The Japanese government has committed Y150m over three years to the total costs of staging the conference, less than the amount required to fund each of these applicants for a one-day stay, airfare not included.

Nonetheless, health ministry officials are wearing the red ribbon of Aids awareness on their navy lapels and have been educating everyone from their airport colleagues to those who make the beds in the $250 Yokohama hotels that HIV cannot be caught merely by handling a passport or a vanity towel.

Along the way they are passing on the message, still only half believed, that Japan itself is by no means immune to the real risks.

The health ministry said this week that 3,839 residents of the country had tested HIV positive, excluding those who had contracted the virus through blood transfusions in the first half of the 1980s.

The majority of those newly diagnosed were Japanese nationals who were apparently exposed through heterosexual intercourse.

In hosting the 10th annual conference on Aids, Japan has accrued better credentials than the US, where the assembly has not been held since its earliest years because of restrictive immigration policies.

Medical researchers and pharmaceutical manufacturers arriving next week may be thankful that they are less likely than in the past to be accosted by those either decrying their treatments or demanding them for free. But if the event passes without undue incident, the Japanese bureaucrats will be the local heroes of the piece.

For a small outlay on the part of their government they will have raised awareness of the real risks while dispelling many of the anxieties surrounding social contact with people with Aids – about 90 Yokohama high school volunteers will tend those in the "care lounge".

And the conference may even bring broader trade benefits to foreign companies. The health ministry said US activists could import 3,700 condoms to distribute in Yokohama. Japan has until now prohibited condom imports by deeming them a medical product – one of its remaining non-tariff barriers to trade.

Reuter

Fights broke out in the Taiwanese National Assembly on Thursday as opposition deputies staged a walkout over the passing of plans for the first direct presidential elections, set for 1996

Vietnam wakes up with a thirst

Brewers are competing fiercely in a new market, says Iain Simpson

At street-side bars throughout Vietnam, a battle is under way for the loyalty of beer drinkers. For the first time in many years, the country is experiencing a fully fledged marketing battle.

For many people there's still no choice. In many towns and cities, a small local factory produces draught beer which it sells in barrels straight to the bars. Increasingly, though, new canned and bottled beers are also on sale in bars and shops and the manufacturers are spending heavily to promote their products.

One recent arrival which has grabbed its corner of the market is Tiger beer from Singapore. It has been marketed as the drink of the newly rich. "I think if you are a businessman in Vietnam today, you will drink Tiger Beer," says a young Vietnamese executive. "That's the reason why the Vietnam Brewery which makes Tiger beer has been so successful."

Tiger caused a stir when its advertisements featuring a blonde woman first appeared. When the local authorities issued new rules banning the use of foreigners in advertising, it was rumoured to be a response to the Tiger adverts.

The beer is now brewed in the southern commercial capital, Ho Chi Minh City, by a joint venture between the Dutch brewer Heineken, Singapore-based Fraser and Neave and a local partner. It was the first such venture to produce an imported beer locally and has captured a large share of the business market.

However, it's expensive and at a dollar a bottle, most local people still can't afford to buy it. Cheaper, and more popular among ordinary people, is Saigon beer, brewed by the Saigon Brewery.

Saigon Brewery, like many of its local competitors, is in the middle of a big expansion programme. At the moment the average consumption of beer is less than four litres a year. Across the world the average is nearly four times that and in other South-East Asian countries such as the Philippines it is much higher.

Local and foreign manufacturers believe this market still has a long way to grow. The limit now is the capacity of breweries in the country. At the moment, the national capacity is less than 300m litres a year. But everyone seems to be expanding. When current growth targets are fulfilled, towards the end of this decade, total output will be about 500m litres a year. Industry bosses say that still won't be enough to satisfy this thirsty market.

Another brewery that is expanding is Halida in Hanoi, which produces its own brand and has a joint venture agreement to make the Danish beer, Carlsberg. The brewery is in the middle of a development which will see capacity increase from 25m litres this year to more than 100m by the end of the decade.

The company that now makes Halida is one of the big success stories of Vietnam's transition to a market economy. For many years, the company produced fish paste for export to eastern Europe. But with the collapse of the communist bloc, that market dried up and general manager Nguyen Thi Anh Nhan started looking for a new outlet.

Abandoning fish paste, she managed to borrow $3m to set up a simple beer production line. That was in 1990. Now, the company is in the midst of a massive expansion project.

Mrs Nhan says the outlook for the market is rosy: "It's now summer and if you go to a bar after about two o'clock in the afternoon, they stop serving because they have run out of beer."

China gives hope of Gatt deal

By Guy de Jonquières in London and Tony Walker in Beijing

China said yesterday that it expected to begin "the final stage" of its negotiations to re-join the General Agreement on Tariffs and Trade at the end of next month, when it plans to file improved offers on market access for products and services.

Speaking at the end of two days of talks with Gatt members in Geneva, Mr Long Yongtu, Beijing's chief negotiator, said his government was ready to negotiate on the offers in September and would work constructively for an agreement on accession.

The sense that the eight-year-old talks with Beijing were approaching a decisive phase was reinforced by the closing statement by Mr Pierre-Louis Girard, the Swiss economics ministry official who chaired this week's working party. He said the working party had before it for the first time "major parameters" which could serve as the basis for negotiating a draft protocol for China's Gatt accession. He hoped to call the next meeting in late September or early October.

Mr Girard indicated that prospects at that meeting were likely to depend on progress made in the meantime in bilateral discussions between individual Gatt members and Beijing.

However, he emphasised that though some progress had been made towards convergence on the issues raised by China's accession, there were still many points of difference.

Though China has previously said it wants to be a founder member of the World Trade Organisation, due to succeed the Gatt early next year, Mr Long failed to reiterate that ambition in his statements this week.

One western diplomat who participated in the meeting suggested China had begun to realise that WTO membership – which would mean subscribing to the provisions of the Uruguay Round world trade agreement – required far more complex negotiations than simply re-joining the Gatt.

Though Beijing has said it is ready to accept all the obligations of WTO membership, it presented this week's meeting with a 10-point list of "non-negotiable" demands.

Earlier this month, officials in Beijing accused the US of blocking China's application and threatened to call off the negotiations if Washington does not drop its insistence that it joined as a developed country.

Observers are unsure whether China's public posture is part of a deliberate strategy, or whether – as some western diplomats in Beijing believe – it reflects political problems rooted in deep divisions in its bureaucracy.

Mr Zhu Rongji, senior vice premier in charge of the economy, has emerged as a leading "Gatt-sceptic" and is said to be insisting that negotiators yield little on China's demand to join as a developing country.

His stand may be connected with political manoeuvring in the Chinese leadership. He is under pressure from conservatives unhappy about his liberalising policies, and without his support compromise on sensitive Gatt issues will be difficult.

"The Chinese can't seem to get their act together," said a western diplomat in Beijing. "It is going to take very hard negotiations, and they are not used to hard multilateral negotiations."

Chilean growth seen as rising to more than 4%

By David Pilling in Santiago

Chile's main business federation has revised upwards its estimate of economic growth in 1994 to between 4 and 4.5 per cent. At the start of the year many business leaders were forecasting growth in the range of 2 per cent to 3.5 per cent after the economy had cooled rapidly in the second half of 1993.

"The difficulties that we foresaw at the beginning of the year are dispersing and it is becoming increasingly clear that the economy will grow by roughly 4-4.5 per cent," said Mr José Antonio Guzmán, president of the CPC. "I am more optimistic than I was in January," he said.

Mr Guzmán attributed the improved prospects to the higher prices being fetched by Chile's principal exports – copper, cellulose and fish meal – which were depressed for most of last year.

Exports in the first half of 1994 rose by 9.3 per cent over the same period last year to $5.3bn (£3.4bn), with non-traditional exports up 18 per cent. Imports rose by only 5.3 per cent, although those of capital goods increased by 16 per cent, encouraging hopes of future productivity gains.

Mr Guzmán's statements follow the release of several other encouraging economic indicators, most recently a sharp rise in the monthly economic activity index for May, bringing the growth rate over the first five months of 1994 to 3.8 per cent. May's rise in the index of 6.8 per cent was the highest since last June.

The strong export performance, which has produced a balance of trade surplus of $237m for the first six months (in spite of a deficit in June) has prompted the central bank to revise its trade estimates for the second time this year. The bank now expects a trade deficit of only $150m-$200m, compared with the near $1bn deficit predicted at the start of the year.

NEWS: UK

■ Lottery logo unveiled ■ BBC prepares for £2m November draw

Camelot names date for draw

By Raymond Snoddy

The UK's first multi-million-pound National Lottery draw will take place live on BBC television on November 19, less than six months after the Camelot consortium was chosen as the preferred operator.

The announcement of the launch date came yesterday as Camelot was formally awarded its licence by Mr Peter Davis, director-general of the National Lottery and the lottery operator unveiled its logo – a smiling hand with crossed fingers.

The logo, created by Saatchi & Saatchi Design and chosen from more than 100 designs, was claimed yesterday to represent everything from fun, friendliness, enjoyment and approachability to hope, anticipation, trust and honesty.

On November 19, at the end of an light entertainment show, six numbered balls will be electronically selected from a total of 49.

Anyone who has chosen the numbers in any order could win £2m although the odds are almost 14m to 1 against. Although the size of the prizes will normally be influenced by the number of £1 lottery tickets sold in any week it is likely there will be a minimum jackpot of £2m for the first draw.

The licence, which will run until the end of September 2001, closely follows the draft licence published last year except that the commitments made by Camelot when it applied for the licence have been incorporated. These range from the percentage of ticket sales that will go in prizes, to the percentages of revenues that will go to the five good causes to benefit from the National Lottery: the arts, charities, a millennium fund, the national heritage and sport.

The percentage of prize money before deduction of 12 per cent lottery duty ranges from a low of 47.2 per cent of ticket sales in the 1995 financial year ending March 31 to a high of 50.65 per cent the following year.

At ticket sales of between £750m to £1.5bn a year the percentage going to good causes will range from 21.66 per cent to 26.8 per cent.

If the lottery has revenues of more than £3.5bn a year – which is thought to be possible – the good causes will get between 31.35 per cent and 34.005 per cent.

Camelot, which groups Cadbury Schweppes, De La Rue, GTECH, ICL and Racal Electronics, said yesterday the project was on track for the November launch with 20 pantechnicons of furniture arriving next week at its headquarters in Rickmansworth, Herts.

Manufacture of the on-line computer terminals has begun and more than 8,000 of the 10,000 retail outlets needed for the launch have signed up.

Colin Beere

Fingers crossed: Tim Holley, chief executive of Camelot, reveals the National Lottery logo outside the British Museum, London

DTI uncovers insolvency rule breaches

By Andrew Jack

Nearly 9 per cent of insolvency practitioners inspected by the Department of Trade and Industry in the past year seriously breached their obligations under the law, a report said yesterday.

Of 160 monitoring visits made in the 12 months to April, reports were produced on 14 which identified "significant compliance problems".

The problems, all of which have been referred to the relevant professional bodies for regulatory action, included sub-contracting of work without adequate controls and payments for the introduction of insolvency work.

In addition, a further six practitioners were subject to "detailed special inspections". Eight practitioners were under inquiry at the end of the year; another has been charged with criminal offences and is awaiting trial.

The details emerged in the annual report of the Insolvency Service, an executive agency of the DTI under the government's Next Steps programme.

Other failures identified by the department included poor financial records and failure to keep adequate administrative records, including the approval of remuneration.

The compliance failures come in spite of initiatives over the past few months by the insolvency profession to develop a self-regulatory regime as a result of pressure from the Insolvency Service.

There were 1,961 licenced insolvency practitioners in the UK last year, down from 1,993 in 1992. They come under the control of seven professional bodies as well as some directly supervised by the DTI.

Mr Peter Joyce, inspector-general and chief executive of the Insolvency Service, said in the report that it planned a further "significant increase" in the volume of prosecutions and disqualifications this year.

The comments follow a highly critical report last year by the National Audit Office, the Whitehall watchdog, into the relatively low volume of disqualifications.

Mr Joyce says the service "continued to struggle to achieve its targets" in the face of a backlog of 57,000 uncompleted case files of collapsed companies and bankrupt individuals being examined in the middle of last year.

Swans bid 'worth less than £5m'

The receiver to Swan Hunter, the Tyneside shipbuilder facing closure, said yesterday that the price offered by the sole prospective bidder for the company as a going concern was significantly below £5m, and substantially below the business's break-up value, Chris Tighe writes.

The comments from joint receiver Mr Ed James of Price Waterhouse underlined how poor the prospects now are of saving north-east England's last shipbuilder. Mr James said this week's bid from Constructions Mécaniques de Normandie was less than half the £10m figure discussed earlier this year. Swans' break-up value is understood to be about £7.5m.

CMN insisted its offer, including £5m relating to a tax loss deal, was worth £11m. It wants to negotiate not with Price Waterhouse but with Lloyds Bank, Swans' principal creditor.

Speculation on Archer post

Speculation mounted among Conservatives yesterday that Lord Archer, the party's former deputy chairman, would be offered a government post after being cleared of insider dealing allegations.

However friends of Lord Archer said the prime minister had not yet made any formal approach to the peer, who is one of the party's leading activists and fundraisers.

Bank closure ruling to stand

One of the owners of Mount Banking, the Asian-controlled bank closed by the Bank of England in 1992, yesterday lost his High Court appeal against the decision.

Mr Navinchandra Bhagwanji Shah claimed the decision by the Banking Appeal Tribunal last year to uphold the Bank of England's decision was unjust and that the Bank's original judgment was perverse.

Theme park convictions upheld

Three businessmen jailed for fraud after the longest criminal trial in English legal history failed yesterday in appeals against their convictions.

The Court of Appeal rejected argument that the 253-day Brittania Park trial was so long and complex that the jury must have been unable to concentrate sufficiently to reach a safe and satisfactory verdict.

Mr Peter Kellard, Mr Edward Dwyer and Mr John Wright, former chairman of the Derbyshire theme park, were convicted in 1992 of offences including fraudulent trading.

Nirex files waste site plans

Nirex, the nuclear waste disposal company, yesterday filed its long-awaited planning application with Cumbria county council for a £120m rock laboratory beneath the Sellafield site, a step towards its proposed £2bn underground waste repository.

The laboratory is needed for a geological study of the site to enable Nirex to decide whether the repository should be built.

Three jailed for fraudulent trading

Three businessmen were yesterday jailed for fraudulent trading at Extra Special Vehicles, based at Banbury, Oxfordshire, which collapsed in 1990 with £6m debts.

Mr Robert Colman, ESV chairman, and Mr Moshe Hochenberg, finance director, were both jailed for three years. Mr Robert Knight, a financial adviser, was jailed for 4½ years.

They had been convicted following a 12-week trial at Northampton Crown Court.

Case on Bar lost

Four students denied places to train as barristers yesterday lost their legal battle in the Court of Appeal over the new selection criteria adopted by the Bar law school, which is run by the Council for Legal Education. They had argued the school paid too little attention to degree results.

Hospital plea fails

Campaigners yesterday failed to prevent the closure of the accident and emergency unit at London's St Bartholomew's hospital. The Court of Appeal refused leave to appeal against the High Court's rejection of judicial review proceedings.

Eurotunnel set for passenger licence

By John Willman, Public Policy Editor

The go-ahead for passenger train services to run through the Channel tunnel is expected very shortly, Eurotunnel said yesterday.

The company said that it understood that the Anglo-French Intergovernmental Commission, which must approve passenger services, had met on Thursday to make its decision.

Eurotunnel said it had completed its presentations to the commission's safety authority, which must satisfy itself on the safety aspects of train operations in the tunnel, earlier in the week. Letters setting out the commission's decision were expected very shortly.

The company, which already runs freight services, wants to operate two types of passenger service:

- Eurostar high-speed passenger services between London, Paris and Brussels.
- Limited Le Shuttle passenger services between tunnel terminals at Cheriton in the UK and Sangatte in France.

BCCI official convicted of profits fraud

By John Mason, Law Courts Correspondent

A former senior official with the collapsed Bank of Credit and Commerce International was convicted yesterday at the Old Bailey of helping dishonestly to boost the bank's profits by £250m.

Mr Imran Imam, a former accounts officer based at BCCI's London headquarters, was convicted of one charge of conspiring to conceal documents, two of conspiring to falsify records or documents and one of furnishing false information. He was acquitted of one charge of furnishing false information. He was released on bail and will be sentenced next Wednesday.

The conviction of Mr Imam marks the fourth successful prosecution brought by the Serious Fraud Office following its investigation into BCCI.

However the prosecution proved controversial, provoking the anger of US prosecutors in the New York District Attorney's Office. They have relied upon Mr Imam as a main witness in the US trials and felt his conviction could taint his reputation as a possible witness.

Mr John Moscow, the assistant district attorney, told a pre-trial hearing in London that because the US authorities believed the SFO would use Mr Imam as a witness – not put him on trial – they had given the SFO documents relating to Mr Imam. The SFO denies giving an assurance that Mr Imam would not be prosecuted.

Mr Imam worked closely with Mr Swaleh Naqvi, the former BCCI chief executive, and Mr Agha Hasan Abedi, its former president.

He helped to boost the bank's profits by falsifying documents relating to loans totalling $2bn apparently made by BCCI to wealthy customers. BCCI never intended these loans to be repaid but was able to claim it was receiving income in the form of interest and fees from the transactions.

Mr Iman himself received interest-free loans from the bank which totalled £1m.

Earlier this month the SFO secured the arrest of Mr Abbas Gokal, the head of the Gulf Group, the international shipping and trade conglomerate which was by far BCCI's largest customer. Mr Gokal was arrested at Frankfurt airport by German police after the SFO received reports that he had left Pakistan where he had remained, safe from extradition, since 1991. Proceedings to extradite him to the UK have begun.

The SFO is also considering bringing charges against Mr Naqvi. This will depend on events in the US where he is negotiating a plea-bargain deal with federal prosecutors. He was also sentenced to 14 years imprisonment by the Abu Dhabi authorities.

Previous SFO prosecutions over BCCI have led to the convictions of Mr Syed Ali Akbar, a former head of the bank's treasury department, Mr Mohammed Baqi, a former head of Attock Oil, and Mr Nazmu Virani, the former property entrepreneur.

Restructuring leaves video project chief without a job

By Raymond Snoddy

British Telecommunications has broken up the division which helped to develop and promote video-on-demand, leaving its director Mr Steve Maine without a formal post.

Mr Maine, who has been at BT for 20 years, ran the Visual and Broadcast Services division from 1991. The division was responsible for such activities as video conferencing, satellite data broadcasting and the provision of communication networks for broadcasters.

The development of video-on-demand, which also included a wide range of home services using the telephone network, was potentially the division's biggest project.

Technical trials of video-on-demand, sending VHS-quality pictures down telephone lines at the same time as the line is being used for conversation, are nearing completion.

Marketing trials involving between 2,000 and 2,500 homes are due to start later this year or early next year.

If BT decides to go ahead with what it calls interactive multimedia services the investment would probably involve several billion pounds. Sophisticated computer databases would have to be installed at telephone exchanges.

Earlier this year Mr Maine told delegates at a Financial Times conference: "If you are in the home-entertainment business, think beyond the existing boundaries of your industry – talk to us at BT."

The video-on-demand project has now gone to ICE – the BT division responsible for information, communication and entertainment. Mr Rupert Gavin, a marketing director from retail group Dixons, has been brought in to run the division.

The appointment reflects the strategy of Mr Michael Hepher, BT's group managing director, to make the organisation more marketing-led.

Mr Maine is said to be carrying out "a special project" and an announcement about his new job in BT is expected "in due course".

Mr Maine, who is on holiday, was unavailable for comment.

BT satellite services will become part of the international communications division. Video conferencing will go to business communications. BT emphasised that the restructuring did not mean any lessening of its commitment for interactive multimedia.

Gummer issues writ against BT over rent

By William Lewis

Mr John Gummer, the environment secretary, yesterday issued a writ against British Telecommunications claiming more than £2.2m in rent and interest.

Mr Gummer alleges that since Christmas Day, BT has failed to pay £2.1m of rent for the 15 floors of the Euston Tower, in north-west London, that it leases from the department through an underlease.

Mr Gummer also claims that BT, through two other underleases, owes another £123,000 for 50 parking spaces and rooms it rents in the tower's basement.

The writ comes as BT, which has one of the largest corporate property portfolios in the UK, presses on with plans to cut its holdings from 75m sq ft to 15m sq ft by 2010.

A BT spokesman said he knew of "no connection between the writ and our property disposals".

He added that the writ had not yet been served on the company.

The Euston Tower is owned by British Land.

P&O threat on animal welfare

By David Lascelles, Resources Editor

P&O, one of the largest cross-Channel ferry companies, yesterday threatened to stop transporting vehicles carrying animals for slaughter unless European farm ministers agreed on improved standards.

The company set next October as the deadline for an "imminent prospect" of European Union legislation to deal with the mounting controversy over conditions for live export.

Lord Sterling, P&O chairman, said last night that the company had acted after reviewing legislation on animal transport standards. This had shown that there was "no way" these could be enforced.

P&O's decision follows an increasingly vociferous campaign by animal-rights groups against the conditions in which sheep and cattle are transported to continental slaughterhouses. Animals often travel for several days in packed lorries without food or water. Last month, Mr Alan Clark, the former trade minister and campaigner against animal cruelty, joined other activists in calling for a boycott of cross-Channel ferry companies which transported animals for slaughter.

Lord Sterling said that his decision to put pressure on government was not out of concern for the damage that a boycott might do to his company. "It's deeper than that," he said. "There are certain subjects that go beyond commercial considerations."

Mr William Waldegrave, the agriculture minister, said the government was determined to make progress on the issue without causing unfair disadvantage to British farmers. But "those urging precipitate action would do nothing to protect travelling animals in the long term, and would impose an immediate damaging effect on a trade already going through a difficult period".

He stressed that this was an EU-wide matter, and that the current German presidency had indicated that it would give it a high priority.

EU rules currently permit animals to be transported for 24 hours without a break. Last June, the Greek presidency proposed to reduce this to 22 hours for food and 15 hours for water, but the UK government rejected the plan. Animal rights groups have been pressing for a maximum of eight hours.

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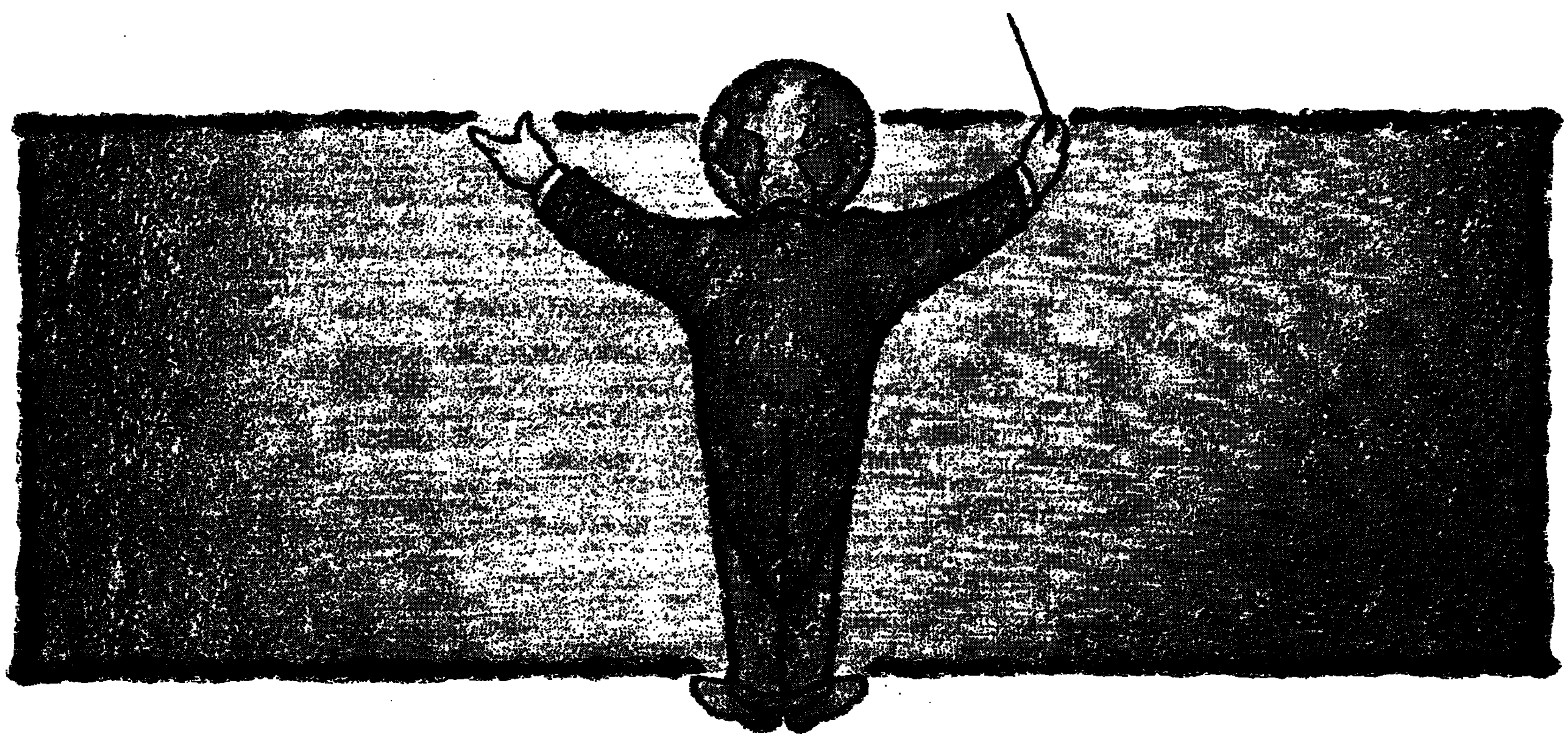

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Court move on 'pirate' TV card ban

By Raymond Snoddy

A leading distributor of "pirate" satellite television cards is going to the High Court next week to try to win the right to sell the cards in the UK.

Mr David Lyons will ask permission to withdraw a voluntary undertaking not to distribute the cards in the UK which he made pending the full hearing of an action launched against him by British Sky Broadcasting. BSkyB said yesterday it would vigorously resist any attempt to withdraw the undertaking.

The High Court hearing follows an action in the Irish courts in January when BSkyB – a consortium in which Pearson, owner of the Financial Times, has a stake – was refused a restraining order against Mr Lyons pending a full trial.

BSkyB claimed its code had been copied by Mr Lyons, infringing its rights under copyright law. The court rejected the claim because BSkyB had failed to produce sufficient evidence that there had been an infringement of copyright. Mr Lyons is seeking to raise the same issues in the High Court.

He said yesterday: "If I win I will be able to sell cards outside News Datacom [the News Corporation subsidiary that manufactures the smart cards for Sky Television]." BSkyB knocked out all the pirates in May when it distributed new, more sophisticated cards, known as the series nine cards, to more than 3m subscribers. Overnight, viewers with pirate cards were unable to watch subscription channels. Since then, the pirates have been working to beat the new BSkyB smart cards.

Mr Lyons said yesterday he now had a card that that would decode all BSkyB channels and planned to start selling them in Ireland next week.

Last year the Financial Times wrote to Mr Lyons' company Satellite Decoding Systems and bought a pirate decoder card which worked perfectly.

A number of other systems, pirates claim, are about to come on the market. One, called Phoenix, can reactivate cancelled cards. Others, it is claimed, can upgrade legitimate basic BSkyB cards so that they can receive every channel. The basic package costs £6.99 a month – the entire package, £19.99.

BSkyB executives privately express scepticism that the new card has been cracked by pirates.

BSkyB and News Datacom insist that they will continue to take a wide range of legal and technical measures against the pirates. Distributing or using pirate subscription television cards is illegal in the UK.

Society man signs up for the club

The IoD's new director-general is determined to make his mark, says Michael Cassell

Tim Melville-Ross: impatient with the IoD's image as a bolt-hole for unreconstructed rightwingers *Photograph: Tony Andrews*

As the busy boss of a £35bn business, Mr Tim Melville-Ross could be forgiven for not getting around to joining the Institute of Directors.

But he has been wise enough to sign up in good time for his arrival on Monday as the institute's new director-general.

The one-time stockbroker and oil industry man who, for the past 10 years, has been chief executive of the Nationwide Building Society, admits to finally enlisting only after the £180,000-a-year IoD job came up – but before he knew he would get it.

He confessed: "By the time anyone asked me if I was a member I was able to answer 'yes' truthfully."

Eyebrows have been raised about his readiness to step down from the top of Britain's second-largest building society to run what some in the business community regard as little more than a fancy club with grand ideas.

Mr Melville-Ross explained: "I said when I became Nationwide chief executive I would do it for 10 years. It was enough for me and enough for the Nationwide.

"I did not then want to go and run another business in a narrow sense and was looking for something which involved participating in the political process."

Mr Melville-Ross is keen to engage in public-policy debate and then to act as a forceful advocate for IoD views. At 49, he takes over at the Pall Mall headquarters from Mr Peter Morgan, a fiery, free-market salesman who relished the opportunity to make waves.

His successor is a more considered, consensual, low-key sort of chap who, nevertheless, is determined to leave his mark on an organisation which he accepts may be widely misunderstood and under-rated.

The new director-general, although anxious not to criticise his predecessor, appears impatient with the lingering image of the IoD as a bolt-hole for unreconstructed rightwingers. He intends it to be seen as a serious champion of free enterprise and business integrity with views that count.

He added: "The rightwing label is much abused. It is no longer a rightwing proposition to say wealth creation is a good thing, provided you create it within a defined set of civilised values.

"It is not rightwing to say the idea of full employment is nonsense. In the same way you have to have empty homes to make the housing market work, you need a stock of unemployed people to make the labour market work."

Pursuing his thesis, Mr Melville-Ross said his wish to see the education system further "privatised" was not a rightwing stance.

"I think it is wrong for someone in my financial position to have my children's university education subsidised by people far less able to afford it than me. If that view is rightwing then I'm a Dutchman."

Mr Melville-Ross stressed that he has never been "a raving Conservative or socialist or whatever", but he has long experience of nudging ministerial elbows.

Cuddling up to a particular administration, he stressed, can have its drawbacks, so contacts will be made across the political spectrum. If a Labour government is elected, he will start on good terms with several of its senior figures.

Mr Melville-Ross acknowledged unflattering comparisons with the Confederation of British Industry – the employers' body with which he intends to forge closer links – but denied that the IoD is less in touch with business or less influential with government. He added: "We should not, in any case, view each other in a competitive way. If it is possible to develop similar positions on key policy areas, then that will be a very powerful combination."

The IoD, he emphasised, is not about to embark on a root-and-branch overhaul of policy, although he has given himself and his colleagues three months to review it. Then, he said, the organisation will have to present its views in "a more coherent way".

He hinted that he might want a more streamlined policy-making process and, without uttering any threats, said he intends to run a "very crisp" organisation.

Mr Melville-Ross accepts that he comes to the job at a time when the reputation of the business community has taken some tough knocks. He largely rejects the image of directors as "grasping and overpaid", although he has no time for rewarding failure.

"I have no problems at all with giving very high rewards for success that helps create wealth and which, in turn, sustains businesses and jobs," he said. "But we have to find ways of avoiding situations where someone who has manifestly failed walks away with half a million pounds. It has to be wrong and it has to be stopped."

Agency chief's dual role rapped

MPs yesterday admonished ministers for the way they handled a potential conflict of interest over the government agency which regulates food imports, James Blitz writes.

The Commons agriculture committee expressed concern in a report that a conflict of interest could have arisen over the role of Mr John Ellis, the chief executive of Fyffes, the banana importer, who is also chairman of the Intervention Board Executive Agency.

Mr Ellis has chaired the intervention board for the past eight years. The board, which is operated by the Ministry of Agriculture, Fisheries and Food, administers the Common Agricultural Policy in the UK and issues licences for food export and import.

The potential conflict of interest over his role arose last year when the board was required to license banana imports following a European Union directive. The committee said that this appeared to place Mr Ellis in an "awkward position", as the Fyffes group is one of the largest importers of bananas.

The committee said yesterday that it did not allege "any impropriety whatsoever" against Mr Ellis. It also noted that his job "does not involve him in day to-day operations of the agency", which has also ensured that Mr Ellis does not see confidential papers relating to regulation of the banana sector.

However, the committee said it was "absolutely unacceptable" that a chairman of the intervention board should be in a position where he was excluded from the operations of the organisation in an important sector.

The MPs added: "We recommend that [the ministry] take steps to ensure that the problem is swiftly rectified and that no such potential conflict of interest occur in senior positions in the future."

Kinnock to press for end to Maastricht opt-out in EC role

By Ivor Owen, Parliamentary Correspondent

Britain will come under increased pressure to participate in the social chapter of the Maastricht treaty from Mr Neil Kinnock, whose appointment as a British member of the European Commission was confirmed yesterday.

The former Labour leader angered Tory MPs by immediately making known his intention to seek to overturn the opt-out secured by Mr John Major, the prime minister, from the regulations that can be imposed on employers from Brussels.

Mr Kinnock's appointment to the £103,000-a-year post was welcomed by Mr Tony Blair, the new leader of the Labour party.

Mr Blair said: "He will be a great asset both to Britain and Europe and I wish him every success."

Mr Kinnock explained why he would back the demands that Britain should keep in line with the other member states of the European Union by accepting the social chapter. He said: "It is a modest way of defining basic standards for workforces."

He emphasised that there were several countries and many employers in Europe who took strong exception to the possibility that, while free from the obligation to comply with the social chapter, Britain would become a place for "social dumping".

Mr Kinnock said: "My general disposition is to seek to ensure that none of the employers in the EU are disadvantaged in their relationships one with the other."

Sir Leon Brittan, the former Conservative cabinet minister, will continue as Britain's senior representative at the European Commission.

The government is expected to exert strong pressure in Brussels to ensure that Mr Kinnock's role in the commission covers overseas development – a policy area in which he has always been closely interested.

Mr Kinnock's wife, Glenys, became one of the Welsh Labour members of the European parliament in June.

Mr Kinnock's departure from Westminster will necessitate a by-election in his Islwyn constituency, a Welsh Labour stronghold, which he has represented since 1983. He had a majority of 24,728 at the last election. Before that he represented the former Bedwellty division from 1970.

Mr Kinnock was leader of the Labour party for nine years, resigning in 1992 after its fourth successive general-election defeat.

MPs will investigate opening of gas market

By Robert Corzine

The trade and industry select committee yesterday announced that it will hold an inquiry into the planned deregulation of the domestic gas market.

The announcement came amid growing doubts in the gas industry that the government is still committed to the plan it announced last December to phase in domestic competition, beginning in 1996.

The inquiry, which will start immediately after parliament returns from its summer recess, will examine "the timing and the manner of opening up the domestic gas market to competition".

It will also look at the possible impact of competition on gas prices for various types of consumer. Safety, security of supply and standards of service will also be examined.

Ofgas, the industry's regulator, said it did not expect the parliamentary inquiry to affect its effort to develop detailed plans to open up the residential market to competition.

The Gas Consumers Council welcomed the announcement. Mr Ian Powe, the council's director, said it should make the present consultation process between the government, the regulator and industry more open.

New car sales 'set to beat 2m'

By John Griffiths

The Retail Motor Industry Federation, representing the UK's 7,000 franchised dealers and other independent motor traders, yesterday raised its forecast for new-car registrations this year to more than 2m.

The first 2m-plus projection to be made by a big industry association came as dealers were engaged in a flurry of activity to deliver the first M-registered cars to customers when the plate becomes legal at midnight on Sunday.

The federation's latest figure of 2.01m units compares with its previous forecast of between 1.8m and 1.9m. The Society of Motor Manufacturers and Traders, the largest trade and lobby organisation, is predicting 1.95m.

The federation's upward revision, the second this this year, reflects consistent buoyancy in the marketplace – but also "intensive marketing activity by manufacturers and dealers", said Mr Neil Marshall, the federation's policy director. Mr Marshall said the activity was expected to "force" registrations beyond the 2m mark.

The federation would not clarify Mr Marshall's remarks, but it is understood to have concluded that manufacturer pressure to "move metal" is exaggerating the true size of the market through dealers pre-registering cars without buyers, and which may be later have to be sold as "nearly-new" vehicles through auctions and other outlets.

Registrations in the first half of this year have already reached 956,000 and the society has predicted 500,000 registrations for August – in spite of a survey commissioned by National Breakdown showing more than half of motorists want the annual registration change scrapped.

The survey found that 34 per cent of motorists considered it an "excuse" for the trade to increase prices, and 27 per cent viewed it as an "exercise in snobbery".

Of the 500,000 August registrations expected, manufacturers' order books for companies such as Citroën, Peugeot and Volkswagen indicate that more than 100,000 of the total will be diesel cars, confirming their status as the fastest-growing sector of the car market.

According to Citroën, on some of its model ranges such as the ZX estate, diesel versions are outselling their petrol equivalents.

In a further survey by Volkeswagon, in which 63,000 car owners were questioned, 10 per cent were found to drive diesel cars – but 30 per cent said they would be buying a diesel when their car was replaced.

More than 340,000 diesel cars were sold in the UK last year.

● Rolls-Royce Motor Cars is ending production of its £170,000 Corniche convertible and similar Bentley Continental models after 23 years.

Confusion over compliance move

Fimbra, the self-regulatory body for financial advisers, has become involved in an apparent misunderstanding with one of its members – Knight Williams – over the need for stronger compliance measures.

The regulator said it had suggested that Knight Williams' compliance function should be strengthened with a senior appointment that had its approval.

However, Mr John Williams, Knight Williams managing director, said the recent appointment of Mr Colin Pinnell, formerly head of legal services at Fimbra, to oversee its legal and compliance department had "nothing to do with any suggestion from Fimbra," which had "never said to us that we should strengthen our team".

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Take-up of Family Credit tops 500,000

More than 500,000 families are now claiming Family Credit, the benefit paid to people on low wages who look after children, the Department of Social Security said yesterday.

Its figures show 521,320 families were receiving Family Credit in January, 56,000 more than the year before.

The average amount paid has risen by more than £3.70 a week to over £46 a week.

Civil Service jobs

The new director of the Treasury's procurement group is to be Mr Neil Deverill, a senior vice-president of AB Electrolux. Mr Charles Masefield is to become head of defence export services at the Ministry of Defence, on secondment from British Aerospace.

Group 4 to run middle-risk prison

By Alan Pike, Social Affairs Correspondent

Group 4, the security company, increased its strong position in Britain's emerging private prison market by winning the contract to run Buckley Hall prison at Rochdale, greater Manchester, yesterday.

Buckley Hall will house 350 medium-risk category C convicted prisoners, helping to ease pressure on prison spaces in the north-west. Group 4 already runs Wolds prison on Humberside and operates the service escorting prisoners to court in the east Midlands and Yorkshire.

The contract will be worth £33m over five years. Group 4's bid, which was not the lowest, was selected over three others from the private sector and a fourth from an in-house public-sector team.

Mr Derek Lewis, director-general of the prison service, confirmed that the in-house bid had been "very good", and Ms Joan Ruddock, shadow home affairs minister, immediately wrote to the government asking why it had been rejected.

She said: "Only last month the Commons public accounts committee discovered that Group 4's running of Wolds was costing £1m more than its original tender, yet today the government rewards the same private interests."

Mr Lewis said the Prison Service had been spoilt for choice by the bids.

Growing experience of tendering to manage prisons was now generating high-quality bids from both the private and public sectors.

Buckley Hall, a former junior detention centre, has been rebuilt in less than a year to rehouse adult prisoners – making it Britain's fastest-built jail in modern times. It will open in December, and create 150 full-time jobs.

The award of the Buckley Hall contract marks the start of a further phase of market testing of prison management and advancing private-sector involvement.

Invitations to tender for two big prisons to be built in Liverpool and south Wales have just gone out.

The private sector is being asked to finance, design, build and manage these projects, and private prison operators are linking with construction companies to prepare bids – Group 4 will be bidding in conjunction with Tarmac.

The government also plans to ask the private sector to bid to manage some established public prisons; the first one or two prisons selected for this process will be named in the autumn.

NEWS: UK

Lloyd's poised to scrap three-year accounting

By Andrew Jack

Lloyd's of London yesterday signalled the probable end of the archaic requirement for underwriting syndicates to report their results over a three-year period.

The corporation said it was considering removing the financial practice which is linked to nautical traditions as old as the 300-year old insurance market itself.

The move is partly a symbolic modernisation but is also likely to have widespread implications in releasing profits more quickly to both corporate capital and Names, the individuals whose assets have traditionally supported the market.

The practice of using three-year accounting periods for syndicates is rooted in the origins of Lloyd's, which derived its business from insuring trading ships on their voyages around the world.

Three years was the time it took before ocean-going vessels returned to dock in England, at the end of which underwriters would know for certain the size of any claims on which they were expected to pay.

Since then the range of insurance activities underwritten at Lloyd's has diversified and the reasons for the practice have been lost in history.

Lloyd's said yesterday: "A three-year return voyage to the Spice Islands can't really be equated with an aircraft crash or the sales rep driving around the M25 in a car."

The Lloyd's market and regulatory boards have both in principle agreed to allow syndicates to reduce the three-year accounting period to two years.

A further progression to one-year accounts – in line with the practice of most companies and other organisations which issue financial statements – is likely to follow.

The modification still requires the approval of the Lloyd's Council, which meets next Wednesday, and further details are likely to be released by October.

Under the changes – which will be voluntary – an interim payment from the 1993 underwriting year could be paid during 1995.

The first two-year accounting cycle would start with the 1994 year, allowing it to close at the end of 1995 with profits distributed during 1996.

The result would be that loss-making Names would be able to offset their outstanding losses more quickly against profits generated by the syndicates of which they are members.

Some predictions suggest that across the market there will be modest losses in 1992 but that 1993 is likely to be profitable after several years of heavy losses.

Pension members win costs ruling

By John Mason, Law Courts Correspondent

Members of pension schemes taking legal action over alleged mishandling of fund assets were placed in a stronger position yesterday by a Court of Appeal ruling that they can be awarded costs from pension funds before cases reach court.

Three judges upheld a High Court decision granting a "pre-emptive costs order" to the beneficiaries of the pension scheme run by Melton Medes, a trading conglomerate.

The members allege fund assets were improperly handled when a £5m loan was made from the fund to the company and later repaid. They are claiming £7m compensation.

The members have argued they could not pursue their case without the costs order applied for after their union, the Graphical Paper and Media Union, had to stop funding the action.

In reaching their decision the judges made clear they were responding to concerns expressed by the Pension Law Review committee headed by Professor Roy Goode. The committee had called on the judiciary to set clear guidelines for pre-emptive costs orders for pension case litigants.

Concern has centred on the inability of pension fund members to bring legal action when they are ineligible for legal aid.

Lord Justice Hoffman warned their decision might not be confined to pension cases and could have implications for all trust litigation.

Terrorist targets identified last year

By Jimmy Burns

A security report identifying London's "embassy row", which includes the Israeli embassy, as a prime potential target for a car-bomb attack was given to the royal household and to the Metropolitan Police at the end of last year.

The 100-page risk analysis, which detailed the resurging threat of fundamentalist groups opposed to peace moves in the Middle East, was prepared by one of Britain's leading anti-terrorist experts.

It was commissioned by officials working for the royal family as part of a security review of the state departments of Kensington Palace, which is situated near the Israeli embassy.

The report's author, Major John Wyatt, was a serving officer in Ulster. His private company, Search Training International, has advised businesses on protection against terrorism and on security for the Crown Jewels.

Maj Wyatt said this week that he had been concerned about security being relaxed prior to Tuesday's bomb at the Israeli embassy. However he added that in his view "no degree of risk analysis" could have prevented the attack.

Nevertheless news of the report's existence will be an embarrassment to security officials who have been criticised by the Israeli government for ignoring requests for additional security after the July 18 bomb attack on the central Jewish community building in Buenos Aires which killed at least 96 people.

Scotland Yard would not comment on the report but a police official expressed surprise that a risk analysis for Kensington Palace on such a sensitive subject should have been commissioned from a private consultancy and not from the police or the intelligence agencies.

The report does not specifically refer to the Israeli embassy. However it identifies the growing threat of terrorism by Iran and by fundamentalist groups opposed to the Middle East peace moves.

According to the analysis, the threat had shifted from the US to Europe following the bomb attack on New York's World Trade Centre.

Predictions of an upsurge in fundamentalist terrorism do not appear to have been shared by MI5 and MI6, the intelligence agencies. Both appear to have focused their attention on the threat posed by the IRA.

Eric Britt, master of the Worshipful Company of Carmen, at the annual cart-marking ceremony in the City yesterday. The Corporation of London has traditionally exercised a right of jurisdiction over carts for hire in the City *Photograph: Ashley Ashwood*

Big increase in purchase index

By Philip Coggan, Economics Correspondent

The prices paid by manufacturers for materials are rising sharply, according to the latest purchasing managers' index, increasing fears that inflation may be set to accelerate.

The purchasing managers' index, produced by the Chartered Institute of Purchasing and Supply, reached a record seasonally adjusted level of 62.2 per cent in July, from 61.3 per cent in June. The institute seasonally adjusted the index for the first time in July – had it not done so, the index would have recorded a small fall.

The index is a weighted average of several factors such as order books, delivery times and prices. Any figure above 50 per cent indicates an increase in activity over the previous month. The repeated highs achieved by the index suggest that economic activity has been strengthening this year.

However, the strength of the economy is causing some capacity constraints and price pressures. Suppliers' delivery times are lengthening as they struggle to fulfil new orders. This in turn is putting upward pressure on prices. The prices component of the index reached a record high in July, with a price increase on items such as paper, packaging, timber, aluminium, methanol and steel products.

The Confederation of British Industry's quarterly trends survey, published earlier this week, also showed evidence of inflationary pressure, with an increase in the number of companies planning to raise prices.

However, Mr Ian Shepherdson, UK economist at Midland Global Markets, downplayed the significance of the price findings. "It tracks producer input prices rather than output prices. All it is telling us is that commodity prices have gone up, which we knew already."

The institute, which interviewed 280 purchasing managers, also reported that output is at its highest level since July 1991, and that recruitment rose this month.

MPs urge more economic debate

By David Owen

Senior Tories are adding their weight to Labour calls for the government to earmark more time for debating economic issues as part of a package of parliamentary reforms.

Sir Terence Higgins, MP for Worthing and chairman of the liaison committee of select-committee chairmen, is worried that the move to a unified Budget has resulted in fewer appearances before MPs by Mr Kenneth Clarke, the chancellor.

Sir Terence, a highly respected senior backbencher, used a recent Commons debate to say that he could not remember an occasion in the last 30 years when a chancellor had gone as long as seven months without addressing the Commons.

He described the move to a unified Budget as "pretty disastrous" in procedural terms. "As a result of that change, opportunities to debate the most important area of policy – economic policy – have been seriously eroded," Sir Terence said.

His comments come as talks between the two main parties aimed at coming up with a package of procedural reforms are said to be making headway. Mr Tony Newton, the Commons leader, told MPs before the summer recess that "good progress" on identifying a package of reforms had been made – although "a good deal of detailed work remains to be done".

His feelings were echoed by Mr Nick Brown, his Labour opposite number, who said he hoped proposals could soon be put to MPs "that may well apply in the next session".

The number of late-night sittings and the format of prime minister's questions are understood to be among the subjects the two sides are discussing.

The reform initiative followed a call by Mr John Major, the prime minister, last month for some of parliament's antiquated procedures to be overhauled.

● The government is hoping to introduce a controversial bill increasing Britain's contribution to the European Union budget early in the next parliamentary session, starting in November, having been prevented from legislating in the last session by a dispute in the EU Council of Ministers.

The bill – giving force to changes in the EU's funding system in line with the agreement at the Edinburgh European Council in December 1992 – is almost certain to be opposed by Tory Euro-sceptics.

Tory managers plan to avert defeats in Lords

By David Owen

Government business managers plan a thorough overhaul of consultation and information-gathering in the House of Lords in an effort to curb embarrassing defeats.

By keeping its ear close to the ground, the energetic – and surprisingly youthful – new government team in the upper house hopes to make sure that potential flashpoints are identified early and defused before they become headline news.

The initiative follows a session during which peers savaged the criminal justice bill and other measures.

Last week's ministerial reshuffle included sweeping changes in the upper house. Lord Cranborne, 47, replaced the 62-year-old Lord Wakeham as Lords leader and five of the seven posts in the government whips' office changed hands.

Lord Strathclyde, 34, the new chief whip, has served in four government departments. The Earl of Arran, 56, the new deputy chief whip, is also an experienced minister.

An early signal that Lord Cranborne is likely to devote more time than his predecessor to hands-on management of the upper house came last week when Downing Street announced that Mr David Hunt, chancellor of the Duchy of Lancaster, would become chairman of many of the cabinet committees previously led by Lord Wakeham.

Among possible plans is the introduction of a more structured way for backbench peers to get access to the leader of the house and the chief whip over specific grievances.

By adopting a more rigorous approach than has been needed in the past, business managers hope to ensure that Tory peers think long and hard before voting against the government.

Some experienced Lords observers expect the authority of the new team to be enhanced by the fact that both the house leader and the chief whip are hereditary peers.

They say some peers were resentful that so many recent Lords leaders have been relatively recent arrivals from the House of Commons.

● Mr Tim Sainsbury, the MP for Hove for more than 20 years, is to leave the Commons at the next election.

Mr Sainsbury had a majority of 12,268 over Labour at the last election. He resigned as industry minister in the reshuffle last week.

Further details of new ministerial responsibilities were announced yesterday.

At the Department of Transport Mr John Watts will cover all railway issues and road infrastructure policy including the Highways Agency. Mr Steven Norris will be responsible for London transport, local and urban transport nationwide, and road and vehicle safety. He will also handle aviation and shipping matters in the Commons. Viscount Goschen will be responsible for aviation, airports and all marine and shipping matters. He will handle all the department's business in the Lords.

At the Department of Trade and Industry the following are to assume responsibility for industrial issues in the regions: Lord Ferrers – East Anglia and east Midlands; Mr Richard Needham – west Midlands; Mr Tim Eggar – south-east and south-west; Mr Neil Hamilton – north-west and Merseyside; Mr Charles Wardle – the Yorkshire area and Humberside; and Mr Ian Taylor – north-east.

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Credible forecasts

"In July the sun is hot. Is it shining? No it's not." Flanders and Swann's old advice for those planning their holidays in Britain is an equally good guide for those fretting about the pace of the country's economic recovery. True, the horizon remains unusually cloudless for an upturn which is two years old. But the test of whether the government will allow it to overheat lies ahead.

While the economy's worrier-in-chief, the Bank of England, was celebrating its 300th birthday, others in the city this week did some worrying of their own. This led to a significant fall in the price of UK government bonds. The yield on a 10-year gilt-edged security had risen to over 8.6 per cent by the end of the week, while Friday's money markets brimmed with expectations of interest rate rises to come. Is this midsummer madness, or something a bit more fundamental?

Wednesday's silly rumours, whether substantiated or not, that a Conservative MEP had called for a hike in interest rates, would probably have received less attention in cooler months. UK bonds were also partly suffering a knock-on reaction from fears of inflation in the US. But the Confederation of British Industry's Industrial Trends Survey for July, published on Wednesday, helped fuel more home-grown fears that interest rates would need to rise soon.

Receiving most of the attention were the Survey's findings on manufacturing capacity. The number of companies reporting that they were operating below full capacity fell to 54 per cent, compared to 59 per cent four months ago. The latter happens to be the long-term average rate. Slightly more firms also fear that capacity will restrain their output in the coming months: another warning.

Market speculation

Although there are some causes for concern, little in the Survey points to an imminent take-off in prices, as the authors themselves point out. Similarly, the Treasury's monthly monetary report – released as the governor of the Bank of England had his monthly meeting with the chancellor of exchequer – provided the participants with few reasons for confirming the financial markets' speculations. The narrow measure of money growth, though still growing faster than its monitoring range, slowed slightly in June, to 6.8 per cent, while output price inflation, as reported earlier in the month, remains at its lowest level since 1967.

Monetary authorities with less profligate histories might get away with leaving things as they are. But British financial markets currently need rather more persuading that Mr Clarke will hold fast to his medium-term inflation targets. The gap between conventional and index-linked government bonds, a rough guide to inflation expectations, indicates that the market expects inflation to average over 4.6 per cent during the next five years, considerably more than the government has promised.

Attaining greater long-term credibility will take more than the publication of the two gentlemen's monthly conversations. It will mean showing a willingness to act to slow price pressures, even when they remain beneath the surface. The significant growth in commodity prices, as many have remarked, is a potential source of such pressures. But these play a much smaller role in determining production costs than pay.

Average earnings

At present, growth in average earnings remains moderate, at a yearly rate of 3¾ per cent, having been broadly flat over the past few months. This should not breed complacency, however. For one things, average earnings are not a complete measure of labour costs, since they exclude the cost of many cash and non-cash benefits. As the pay research body, Industrial Relations Services, points out in its latest monthly bulletin, several of these excluded costs have been rising in recent months.

While overall employment growth has been slow to appear in this recovery, the CBI's finding that a growing number of firms is experiencing skilled labour shortages is also worth worrying about, even if the proportion of affected firms remains below 10 per cent. If skilled labour is becoming scarce, it may not be readily available, since unskilled male unemployment at the beginning of the 1990s was some 5½ times the figure for skilled workers.

Wage developments in the months and years ahead will be the central test of whether the UK economy is able to deliver a higher level of employment, while keeping prices stable. But average earnings figures tend to lag behind developments elsewhere. Mr Clarke does not have the luxury of waiting for the figures to look significantly more alarming. If he is serious about inflation, Conservative MPs hoping to escape the year without an interest-rate rise are likely to be disappointed. They may not even reach their party conference unscathed. Sterling futures are discounting a significant rise in base rates by the autumn. "Bleak September, mist and mud, is enough to chill the blood."

A long and winding road

Should BT go down the superhighway? **Andrew Adonis** looks at the telecommunications company's strategy

The "superhighways" of the future have nothing to do with eight-lane motorways. They are sophisticated telecommunications networks connecting living rooms and offices that will buzz with inter-active computer terminals.

If some modern prophets are to be believed, home shopping, games, movies, lessons, remote diagnosis and treatment of illnesses, information on virtually anything could be available at the flick of a button, via fibre-optic telecoms lines – providing a "communicopia" of new services, transforming work and leisure patterns.

Some believe the living room will ultimately double as the office for many, perhaps most, people, as "teleworking" spreads and commuting becomes a minority activity.

For British Telecommunications, entering its second decade after privatisation, assessing and successfully exploiting the growth of superhighway services is a critical challenge. The task is still greater because, at the same time, BT is fighting to protect its position in the existing UK telephony market and attempting to turn itself into a global company.

Phone boxes now work, call charges are falling, and service quality is far higher than at the time of privatisation. But the UK's largest company yearns to be the main UK provider of inter-active services in the next millennium. "We will become retailers of anything you can convert into digital form," says Sir Iain Vallance, BT chairman.

Earning £60m of profit each week, BT has the resources necessary to build a superhighway, and it is a match for any other telecoms company in its access to technological know-how.

Yet for management and employees alike, BT's vision goes hand-in-hand with deep frustrations. Besides mass redundancies, the company faces tougher competition at home, a UK regulatory regime that it claims makes superhighway investments uneconomic, and deep uncertainties about the strength of demand for new inter-active services.

This week BT received a fillip when the House of Commons trade and industry committee declared a "information superhighway" a national priority and called for a gradual lifting of the ban on BT providing broadcast entertainment services to homes.

The government has yet to endorse that recommendation. But BT is planning on the assumption that it will be able to offer a full range of inter-active services by the late 1990s. It is currently undertaking technical trials at Ipswich, to be followed next year by commercial trials of home shopping, video-on-demand and other inter-active services with 2,500 customers in Colchester. Dr Alan Rudge, BT's director of development, says the first services could "follow on from those trials".

Yet even if regulatory hurdles are lifted, the demand for such services is questionable. Teleworking has obvious attractions, but it is debatable whether most businesses or individuals will think it desirable, let alone feasible.

In the shorter term, it has yet to be shown that services targeted at residential consumers across inter-active networks – such as home shopping, teaching packages, video-on-demand and games – can be competitive. Existing providers, such as video stores, and high-tech alternatives to the network services, such as CD-Rom discs (advanced multi-media versions of compact discs which run on personal computers), may be cheaper for consumers than superhighways.

BT is finding it hard enough to persuade people to use normal home telephones, which are currently engaged for an average of barely four minutes a day. Persuading customers to use a telecoms terminal for expensive multi-media wizardry is a speculative venture.

Furthermore, if telecoms operators *can* carve out a distinct niche for inter-active home services, then the main gainers may not be BT but the cable operators which have had a head start in building inter-active local networks and already claim 750,000 TV subscribers. Should the cable operators, mostly backed by large US groups, corner the market for domestic inter-active services before BT has constructed its "superhighway", there may be no room for a BT fibre-optic local network offering the same services.

All of which makes the battle between BT and its 130 telecoms competitors in the UK – most of them licensed in the past three years – more than a straight fight over the existing telephony market. BT still has an 85 per cent market share but, says Sir Iain, "this is a war of attrition, and our strategy has to be to fight every inch of the way".

To combat domestic competition, Sir Iain's strategy is to turn BT into a marketing-led company with a reputation for quality. Mr Michael Hepher, BT's managing director, tells the company's managers he wants BT to be the Marks and Spencer of the UK telecoms industry. It is more than a quip. A confidential report to the BT board last spring, based on a survey of opinion formers, ranked BT's corporate image 7th out of 7 selected blue-chip UK companies. The top-rated company, with favourable ratings from 91 per cent of respondents (against 43 per cent for BT) was Marks and Spencer. Tellingly, the most recent non-executive director to be appointed to the BT board is Mr Keith Oates, deputy chairman of M&S.

'We will become retailers of anything you can convert into digital form,' says Sir Iain Vallance, BT chairman

Mr Hepher's mission, strongly backed by Sir Iain, is to carry through a cultural revolution, eliminating all trace of BT's old utility and monopoly ethos. To lead the revolution Mr Hepher, an outsider recruited by Sir Iain three years ago from Abbey Life, the insurance group, has been steadily filling the top executive posts with fellow outsiders.

"We are continually winnowing out the old-style managers," says Sir Iain, emphasising that customer-responsiveness and an appreciation of the need for change are the qualities he most values in his managers. BT's management board, which Mr Hepher chairs, has been renamed the "group quality council." Of its nine members, only two are career BT executives: the other seven are recent recruits from companies as diverse as IBM, Black & Decker, and US West, the US regional phone company. Another former IBM executive, Mr Howard Ford, has just been appointed to head Cellnet, BT's cellular network joint venture with Securicor.

In the business sector, where Mercury, BT's main rival in the UK, is well-established, Mr Hepher has been masterminding a "win back" campaign, emphasising the quality of BT service. In the domestic sector, a recent marketing blitz has concentrated on getting people to realise how cheap it is to use the phone. BT staff in all sectors are being familiarised in basic marketing techniques.

The strategy appears to be bearing fruit. In the past year BT has increased its inland traffic by 7 per cent and its international traffic by 5 per cent – more than compensating for the loss of business to Mercury, cable operators, and other competitors. According to Robert Fleming, the brokers, BT is adding phone connections at the rate of 100,000 a month, including cellular and land-based lines, which is four times its rate of loss to cable operators. Daiwa Research estimates that BT will still have 90 per cent of local phone connections in 2000, and that its share of revenue will have fallen only to about 80 per cent of the total.

BT has set out to build a significant international business. Abroad, as at home, its ambition is to dominate

As well as securing its future UK base, BT has set out to build a significant international business. Abroad, as at home, its ambition is to dominate. "We would expect to be number one in the globalisation of telecommunications," says Sir Iain. "A lot of it has to do with surprising the enemy, then dislocating the enemy, then advancing into his territory."

In June last year BT forged a $5.3bn alliance with MCI, the second largest US operator. BT's strategy is to make Concert, its joint venture with MCI, the main provider of international telecoms services to multinationals, as corporate life becomes a true "global village" which can be serviced by single telecoms operators. The deal is an integral part of BT's superhighways vision, piggy-backing advanced business services onto networks operated mainly by other companies.

It faces tough competition abroad from AT&T, the largest US operator, and from the French and German state operators, which earlier this summer forged a $4bn alliance with Sprint, the third-largest US long-distance operator. But most observers put BT at least six months ahead of its international rivals in terms of concrete services.

Sir Iain says BT has a a "nuclear deterrent" – the possibility of using its alliance with MCI to break the existing cartel of national telecoms operators which keeps international phone calls artificially expensive. To do so would be a huge gamble for BT, which gains from the existing arrangements. But the dividends for the *first* operator to bust the cartel could be equally large.

BT's global ambitions, however, may be held back by trouble on the home front. It faces deep discontent among its workforce amid large scale redundancies and continual management change. In the past four years BT has shed a third of its workforce – 90,000 employees, more than the total manpower of the Royal Air Force and Royal Marines combined. An employees' meeting earlier this week brought the discontent into the open – particularly among managers, who are bearing the brunt of this year's redundancies. One graduate trainee said that she had joined the company with 28 others, but the best ten had now left.

"There is a time of a maximum uncertainty, when people know the numbers but not what it is going to mean for them," says Sir Iain. But it is not past. Further massive redundancies are in the offing, and Sir Iain will give no guarantee that compulsory redundancies will be avoided.

Yet nobody believes that the clock can be turned back. Privatisation, competition and the convergence of media are facts of life, and BT's managers realise they have no choice but to ensure the company is able to take advantage of those changes – and exploit the arrival of the new superhighways. In a recent book* examining BT's post-1984 experience, Mr Kenneth Baker, the minister responsible for privatisation, recalls: "when I went to other European countries explaining liberalisation and privatisation, I was treated as a sort of lunatic ... who was breaking up a natural monopoly". Ten years on, the lunatics are triumphing the world over.

**Joyce Wood, UK Telecoms: Springboard for the Future, FT Publications, 1 Southwark Bridge, London SE1 9HL, £48.*

BT: a picture of the future

	1983/84	1993/94
Turnover	£6.9bn	£13.7bn
Pre-tax profit	£990m	£2.76m
Fibre in network	Less than 500,000 km	2.6million km
Employees	241,000	156,000
Payphones	76,500	122,000
Residential lines	16.06m	20.47m
Business lines	3.77m	6.17m
Proportion of revenue generated in UK	100%	98%
Chairman's salary	£84,198	£663,000

Source: BT

MAN IN THE NEWS: ***Henry Gonzalez***

More and less than the sum of his parts

Congressman Jim Leach, the Iowa Republican, is a former Rhodes scholar not above occasionally flashing his erudition. His disquisition opening the second day of the House banking committee's Whitewater hearings contained references to ancient Egypt, Copernican astronomy and the American revolution. Here, verbatim, is what he got in response.

"I will reserve for the record my observations on the history of the Ptolemaic world and point out to the gentleman that, in geometry, foremost mathematicians like Thales, who was most famous for saying that what one fool could do another could too, always in bringing forth the geometric basic truths, would always say QED – *quod erat demonstrandum* – that is, it remains to be proved and now it has been proved. And what the gentleman has said is, given his interpretation and prognostication of witnesses yet to be heard or those that have been heard, and I was hoping that that would have been a summing up at the end of the witnesses."

That was pure Henry Barbosa Gonzalez: the hint of scholarship, the mangling of the language, the iron fist in the courteous velvet glove. All these, and quite a bit more, including a legendary temper, were on display this week. The venerable chairman of the banking committee took it upon himself to ensure that the first congressional crack at the tangled skein known generically as Whitewater stuck to rules which he had been instrumental in crafting and which were designed to limit any damage to a Democratic president and White House. "This is not a trial," he declared on day one, and then set out to be both judge and jury.

It was a performance that drove Republicans on the committee, including Mr Leach, to paroxysms of frustration, as the chairman routinely gavelled them out of order and cut them off when their allotted five minutes of questioning had expired. It even elicited an editorial in the nominally liberal New York Times, headlined "Censorship, Gonzalez Style", complaining that "the irascible Texan has twisted the already stringent rules to make it virtually impossible for members to develop a continuous, productive line of inquiry into even the narrow matter at hand." Even some Clinton supporters wondered, privately, if he was not going too far.

Fitting Henry Gonzalez, 78 and in his 34th year in Congress, into a neat box is not possible. He may be variously and accurately described as a pure populist (he would abolish the Federal Reserve system, symbol of big money), a blind Democratic partisan (he wanted to impeach Presidents Reagan and Bush over the invasion of Grenada, Iran-Contra and the Gulf war), and a fearless investigator (into failed savings and loans companies, BCCI and Iraq).

He is also well-read (fond of mixing Shakespeare and Mexican poetry), incorruptible (he shuns the Washington social circuit and goes home most weekends), a loose cannon (capable of abrupt changes of mind) and an autocrat who more than once has decked a political critic with his fists. He is in fact all of the above, but contradictions render him both more and less than the sum of his parts.

He was born in San Antonio in 1916, five years after his family had fled Mexico to escape Pancho Villa's revolution. His Basque ancestors had come to Mexico in the 16th century and were big silver mine operators, with political clout, but he was raised in straitened circumstances not improved in the Depression.

Still, he acquired engineering and law degrees and entered social work. In 1956, he became the first Mexican-American in more than 100 years to be elected to the Texas senate, making a name fighting discrimination and poverty. After two failed bids for the governorship and Lyndon Johnson's old House seat, he won a special election to Congress from San Antonio in 1961 and has not faced a serious challenge since.

Perhaps taking a cue from another legendary Texas populist, Wright Patman, he made the banking committee, with its broad remit, the vehicle for his congressional career, being elected chairman in 1989. In this role, Mr Gonzalez's non-partisan side was apparent whenever financial malfeasance was involved: four of the five US senators censured for taking payments from Charles Keating, chairman of the defunct Lincoln savings and loan company, were Democrats, while Clark Clifford, the Democratic lawyer, was not spared over BCCI.

Curiously, whenever the committee is about its usual business, Mr Gonzalez runs it loosely, often losing procedural votes in spite of its 30-20 Democratic majority and sometimes appearing uninterested in the substance of legislation. One of the biggest admirers of his style as chairman used to be Jim Leach, the ranking minority member.

On Whitewater, Mr Gonzalez initially resisted congressional hearings, saying they would jeopardise inquiries by Robert Fiske, the special counsel. Earlier this year he told Mr Leach it would be "a cold day in Manila" before he allowed his committee to get involved.

Just to rub it in, and breaching congressional decorum, he accused the mild Iowan of being obdurate, premeditated and wilfully disobedient. Days later he acceded to hearings, saying "the country deserves a chance to expose the Republican witch hunt for what it is".

The problem for Mr Gonzalez is that he can only keep a lid on those Whitewater matters before his panel. Leaks from other committee staffs are rampant, though they have not amounted to much. Yesterday the Senate banking committee got into the act under looser rules and under the direction of Senator Don Riegle (coincidentally a Democratic member of the Keating Five and Senator Al D'Amato (the New York Republican irreverently known as Senator Quid Pro Quo).

Simultaneously, whatever the convincing protestations of innocence before the banking committee this week by Lloyd Cutler and Bernard Nussbaum, present and past White House counsel, trouble seems afoot at the Treasury. Roger Altman, the deputy, and Ms Jean Hansen, the chief lawyer, both face tough questioning next week and either could end up as a sacrificial lamb.

Yet it would require a wild stretch of the imagination to compare the week's hearings, in terms of drama or content, to the great congressional fora of the past – dealing with Watergate, Iran-Contra and the Clarence Thomas nomination to the Supreme Court. Cable TV channels covered the hearings but the commercial networks did not, though yesterday they suspended all regular daytime programmes for a court appearance by O J Simpson.

Henry Gonzalez was not the only star of the week. His light-hearted foil, Congressman Barney Frank of Massachusetts, pricked Republican bubbles of outrage and definitely produced the best one-liner after exchanges featuring much legal jargon: "I am waiting to be shown a redactive recusal."

But the words most often heard came from the chair. "The time of the gentleman has expired." It was, of course, not applied to himself.

Jurek Martin

Last tango in the Middle East

Mark Nicholson unravels Syria's role in the peace process

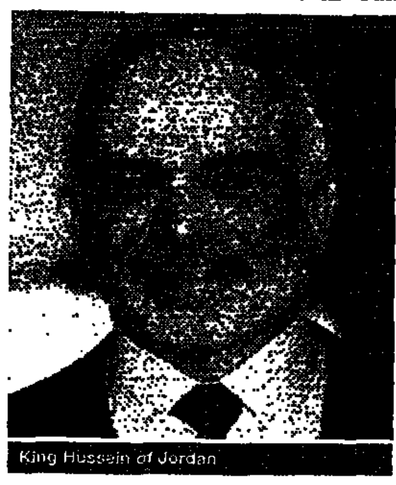
After the pomp and publicity of the White House garden ceremony on Monday, when King Hussein of Jordan and Mr Yitzhak Rabin, Israel's prime minister, signed an end to a 46-year-old state of war on a sunlit table, the focus of the peace process returns to the Middle East. This time it disappears behind the firmly closed doors of the presidential palace high on the hills overlooking Damascus.

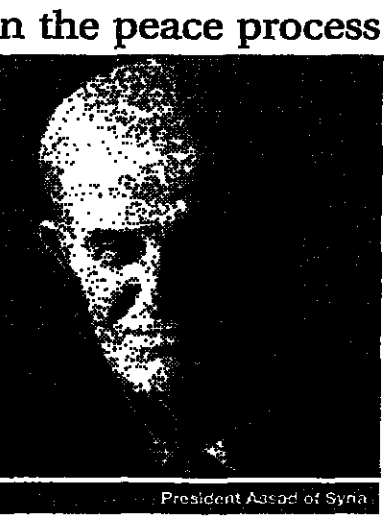
Mr Warren Christopher, US secretary of state, is expected in Syria again as early as next week, just over a fortnight after his last round of talks with President Hafez al-Assad, the Syrian leader. The visit is a clear attempt to use the fresh momentum of this week's signing to push along the Syrian track of the three-year-old Middle East peace process, which has proved the slowest.

Mr Christopher will be hoping Mr Assad has read the signals from the White House. The Syrian leader, who is seeking much closer ties with the US and the removal of his country from America's list of state sponsors of terrorism, will have seen the warmth of the reception accorded King Hussein, who appeared to have erased the damage done to US-Jordanian relations during the Gulf war.

He will have seen that peace brings material rewards – in Jordan's case, US promises of military aid and debt relief worth $700m. Mr Christopher might additionally hope that Syria will feel left behind in the peace process, and that Mr Assad might quicken his step in the negotiations. For as Mr Shimon Peres, Israel's foreign minister, said yesterday that the sides still remained far apart: "Right now it's not a tango, it's not a dance between the two [parties]."

Mr Assad will have digested these developments, though close diplomatic and academic observers doubt whether he is susceptible to pressure on the basis that he is being "left behind". One senior western diplomat suggests that a man famous for sitting ramrod-straight for hours during diplomatic meetings to convey the impression of implacable strength and resolution would not give any sign of being hurried, even if he felt it.


King Hussein of Jordan


President Assad of Syria

In any case, he adds: "Assad's patience is legendary, and if Syria has already waited 27 years to get back the Golan Heights, then why not wait a few more if that's what it takes to get the right deal?" The area between Israel and Syria, which Israel has occupied since the 1967 Arab-Israeli war, forms the heart of the antagonism between the two countries.

Further, while King Hussein accelerated his talks with the Israelis partly to prevent the risk that his kingdom might be marginalised in the peace process, Mr Assad harbours no such worries. He knows that both Israel and the US consider Syria the crucial component in any overarching regional peace deal. The other headline Middle Eastern events of the past week amply suggest the reasons why – and why the Israeli-Syrian track of the talks is proving the most complex and slowest to show progress.

The two bombings against Jewish targets in London this week, which left 19 wounded, and the car bomb which killed 96 in an anti-Jewish raid in Buenos Aires on July 18, were brutal reminders that deadly and efficient opponents both of Israel and of the peace negotiations remain at large. Whether the Lebanese militant Islamic group Hizbollah was behind some or all of the attacks, or whether the plots were ultimately hatched in the Iranian capital, Tehran, as Israel charges, is still to be discovered.

There is reason to suspect the Iranian-backed Hizbollah, despite the organisation's denials of involvement in any of the attacks. It has claimed responsibility for a bombing of Jewish targets in Argentina before, in 1992.

Moreover, it swore only last month that it would use its own "long arms" to exact revenge for an Israeli attack on a Hizbollah training camp deep in the Bekaa Valley in east Lebanon, in which 30 of its fighters were killed.

As long as Iran remains hostile to any peace with Israel and capable at least of inspiring acts of anti-Jewish terror, there is little Israel or the US can do to banish the threat of such outrages altogether. But the possibility of neutralising, or at least containing, such threats under the present peace process lies largely in Mr Assad's hands.

For one thing, Mr Assad has shown that he can effectively contain Hezbollah's threat to Israel from south Lebanon. While the group is supported by Iran, its main camps in Lebanon operate largely in Syrian-held areas of the Bekaa Valley and its arms must pass through Damascus. Last year, when Israel pounded south Lebanon for a week in retaliation for Hizbollah rocket attacks into northern Israel, Mr Assad's intervention secured a "gentleman's agreement" that such attacks would cease. That agreement has essentially held.

While Israeli troops remain inside their self-declared 15km-deep "security zone" in south Lebanon, neither Syria nor the Lebanese government will act to deprive Hizbollah of arms, which the group says it is using against an occupying force. But few in Damascus or Beirut doubt that if and when an Israeli withdrawal is agreed under an eventual regional peace plan, Lebanese troops, backed by the 35,000 Syrian troops in the country, will disarm and close down Hizbollah as a violent threat to Israel.

Moreover, it is widely thought that Mr Assad would be able to exert his authority over Hizbollah without damaging his friendly relations with Iran. The Iranians have few friends among Arab states and are antithetical towards making peace with Israel. "The Iranians have already said that, if Syria made peace, Iran would continue to treat it differently from the other Arab states such as Egypt," says Mr Shahram Chubin, an Iran analyst at the Institute of International Studies in Geneva.

Several European diplomats in Damascus believe Syria has already reached an understanding with Iran that Tehran would cease to provide military support for Hizbollah in the event of a Syrian-Israeli peace.

Syria's potential role as an intermediary and interlocutor with Iran is almost certainly something Mr Assad hopes the US will acknowledge and, perhaps, reward.

His influence over Hizbollah is a bargaining card that Mr Assad is playing cannily as he negotiates with the Israelis for their withdrawal from the Golan Heights. In return, Israel is seeking a Syrian commitment to a "full" peace of open borders, trade and normalised diplomatic relations.

Finding a formula to resolve the impasse over a "full" Israeli withdrawal from the Golan Heights in exchange for a "full" Syrian peace with Israel is in itself a considerable diplomatic challenge. The return of the Golan is paramount for Mr Assad. But a solution to this problem alone is unlikely to satisfy him if it does not also bring a wider acknowledgement of Syria's importance as a regional power. His price for containing Hizbollah in any peace is likely to be some US-Israeli recognition of continued Syrian influence in Lebanon.

The detailed progress of negotiations between Syria and Israel is difficult to interpret while both sides remain silent. But Mr Christopher's return to Damascus indicates that the US believes Mr Assad is prepared to move the talks forward. For Mr Assad to receive him suggests Mr Christopher is not arriving empty-handed.

US promises of improved relations and material aid, though, are unlikely to bring Mr Assad to the White House lawns with Mr Rabin. According to one western ambassador: "Assad would never be willing to give up certain political principles just to get some money."

Michael Skapinker on Forte's renewed effort to take full control of the Savoy group

Knives out at heartbreak hotel

New money against old. A thrusting immigrant family takes on England's most venerable institutions. The drive for profit collides with the preservation of genteel tradition.

It is not just newspapers which have discerned elemental conflicts in Forte's 13-year struggle to acquire the Savoy group, whose hotels include the Savoy, Claridge's and the Connaught. The protagonists appear to enjoy casting themselves in these roles too.

They did so during the initial eight-year takeover battle, which culminated in Forte acquiring 68 per cent of Savoy's shares but only 42 per cent of the vote.

They continued to do so, usually in private, during the uneasy truce after Forte's agreement in 1989 not to raise its stake for five years in return for two seats on the Savoy board.

And in the days before this week's Savoy board meeting, which announced Forte was seeking allies among smaller shareholding trusts, leaders of both camps gave further insights into how they like to be seen.

At a hoteliers' luncheon, Mr Rocco Forte, chairman of Forte and son of its Italian immigrant founder, said he had no difficulty passing the "cricket test" set by Lord Tebbit, the former Conservative party chairman, sitting beside him. Italy, he said, did not play cricket.


Rivals: Forte and Shepard

The Fortes are proud of their passionate loyalty to two countries. Italy might not play cricket, but it does play football. Lord Forte, Rocco's 85-year old father, says he would cheer Italy if they played England at Wembley and England if the game was in Rome.

The leaders of the Savoy have no need of such fine distinctions, being firmly rooted in British soil. Mr Giles Shepard, Savoy's managing director, this week told a tourist gathering of his memories of picnics on the rocks of Stonehenge, before motorways and public toilets damaged this ancient English mystery.

When Lord Forte said in his autobiography that the father of Sir Hugh Wontner, Savoy president until his death in 1992, was of Hungarian origin, he received an angry letter from the Savoy's lawyers. Lord Forte admitted his mistake.

None of the insults traded during the takeover battle of the 1980s have been forgotten and few have been forgiven. It was not just Mr Shepard's assertion that stewardship of Savoy's hotels could not be entrusted to "a vast combine which, among other things, runs service stations on the main arterial roads".

What rankles more was Sir Hugh's remark to Mr Forte after Forte's initial failure to win control that "I've always thought Italians made good hotel *managers*."

Now, however, long-time observers of the battle believe Forte wants to reduce the acrimony.

Instead of bickering, the whole Savoy board should recognise that the running of the group can be improved. Savoy made pre-tax profits of only £725,000 last year on turnover of £83m, after recording a loss of £1.4m in 1992.

Mr Forte has put to one side his desire to place Forte's most exclusive hotels in a joint company with the Savoy. Despite reports that Forte wants to put the Savoy hotels into its international booking system, detailed discussions on this have not taken place.

The City was wrong in its view that there was no legal reason for Savoy to make this week's announcement that Forte was seeking an alliance with minority shareholding trusts. The Savoy board's legal advice was that the statement had to be made because speculation was rife.

If Forte wants to proceed on a more friendly basis, some industry observers say it has a strange way of showing it. At this week's board meeting, Mr Forte blocked the appointment of Sir Roger Gibbs, chairman of the Wellcome Trust, as Savoy chairman. He even refused to agree to have Sir Roger on the board as a non-executive director, saying no changes should take place during discussion of the group's future.

Mr Forte's attempt to win over the trustees – who have enough voting shares to give him overall control – seems his best option at the moment. The 1989 peace agreement specified Forte would not increase its stake for five years and would give 12 months' notice if it wanted to do so.

The 12-month notice requirement remains even after the five-year period ends this November. Giving notice would cause the share price to rise, making a purchase more expensive. With the trustees' backing, Mr Forte would win control without having to spend another penny.

There have been times when Mr Forte would have been happy to sell the Savoy stake, but there have been no buyers. The Aga Khan is believed to have expressed an interest but nothing came of it.

Forte has tried to buy other luxury hotel groups instead. It was the favourite to take over Ciga, the Italian chain, but was defeated earlier this year by ITT Sheraton of the US. It is currently bidding against Accor of France to buy Meridien, the French chain.

Apart from the prestige Savoy would bring to Forte, there is also the satisfaction it would give to its founder. Lord Forte proposed to his wife in the Savoy and spent part of his honeymoon there. Nevertheless, in his autobiography, Lord Forte said that, while any hotel group would be proud to own such prestigious hotels, "I don't need the Savoy Group to crown my career. I have enough already of which to be proud."

While that is certainly true, 13 years is a long time to spend chasing something one does not need. Forte is unlikely to walk away now. Whether in acrimony or at peace, the two sides appear stuck with one another for some years yet.

John Lloyd examines the power of television to help create a consumer society in Russia

The Possessed

In an advertisement for the collapsed MMM finance house – still running on Russian television as thousands of jittery investors crowd about its outer-Moscow offices seeking to cash their shares at virtually any price – Lenya Golubkov, the commercial's central character, is in California with his brother Ivan. They are at the football match between Russia and Argentina which destroyed the former's dreams of taking the World Cup.

The commentary is jokey, the camera shots are quick and quirky. The main point is that Ivan is in despair – not over the Russian team's performance, but because Lenya, who has funded the trip, has done so because he has put his money into MMM shares – while Ivan, a working stiff all his life, still has nothing.

As General Electric hired a clean-cut, right-thinking, second-rank actor named Reagan with which to identify its products in the 1950s and 1960s; as Oxo built up the middle-class English personality of Katie to drive home the essential *goodness* of its product, so Bakhyt Kilibayev, the Kazakh director of the Lenya series created a one-representing-all working-class character, whose job as an excavator driver is abandoned for a life of wealth and leisure through his embrace of MMM.

MMM, launched by Mr Sergei Mavrodi, had huge success this year by selling shares in itself. It quoted its own rocketing share prices – from 1,600 roubles (about US$1) in February to more than 100,000 roubles this week – to an ever-widening circle of buyers. Whether they numbered the 2m which the Kommersant Daily estimated this week or the 10m claimed by Mr Mavrodi, the figure is still larger than the Russian army. Since MMM seemed to have no means of making money other than the constant selling of its rapidly-rising shares, it was widely assumed to be a pyramid company funding new business with old receipts. After a triple salvo of government warnings on its solvency it admitted its virtual collapse yesterday, telling investors it had nearly run out of cash and offering them a paltry 950 roubles (US40 cents) per share.

However, Mr Mavrodi has not given up. He has launched a political campaign against the government itself, threatening to stir his shareholders to revolt, or at least to sign a petition calling for a referendum on the government's competence. Significantly, he used Lenya in this piece of *lese majesté*: "So the authorities don't like Lenya Golubkov and Marina Sergeyevna (a family friend)? But do Lenya Golubkov and Marina Sergeyevna like these same authorities?" – an explicit effort to equate Lenya and Marina with Russia's anti-government citizenry.

Lenya, as projected by Mr Kilibayev, is a figure in transition – as most Russians are. A simple if shrewd man in an extended family, his "life" is crazy, impulsive, and when not caught up in outings to California and to Paris, is lived largely on and around the couch from which he and his extended family watch TV.

Putting a TV in the commercials as well as the commercials on TV showed the instinctive mastery which has distinguished the campaign. In the post-Soviet period, the Russian channels old and new are a riot of raucous game shows, western soap operas and films, and the remains of the rambling Soviet talk programmes – and lengthy, frequent commercials, of which MMM's have been the most frequent and the most vivid. Vivid most of all because – in contrast to the many in which sleek young men in dinner jackets and women in shimmering, close-fitted gowns slither round Japanese jeeps – it is both a slice of life in the apartment block, and a send-up of it. It endorses both the common feeling that we are all living through chaos where anything goes (and therefore anything can be gained), and a cynical comment on just that view, a shrug which says: so it's stupid, so it's crooked, so what?

Lenya Golubkov is proletarian turned consumer, object of history trying to be its subject

When President Boris Yeltsin said Lenya got on his nerves, millions of Lenyas were, according to the daily Izvestiya, insulted. When Prime Minister Victor Chernomyrdin warned Lenya (by name) that his dream time was coming to an end, Mr Mavrodi went on the attack and threatened to end Mr Chernomyrdin's power by the force of his aroused shareholders.

MMM investors outside the company's Moscow offices, where they were hoping to sell their shares

Mr Mavrodi's audacity is, through Lenya, to identify his TV character with the undoubtedly deep feelings of resentment and frustration felt by ordinary citizens when confronted with a country whose prestige and power has been cut at a stroke, whose economy continues to decline, where crime is exploding and fear of it is pervasive, and where the figures of authority are routinely dismissed as venal and uncaring.

Lenya also touched a wide range of Russian references. An anonymous psychiatrist, writing in the weekly Sovershenо Sekretno, said that in his couch-bound idleness and his production of fantasies, Lenya was a TV recreation of facets of Oblomov – the central character of the eponymous 19th-century novel by Goncharov, one who gave his name to the phenomenon of Oblomovism, or dreamy idleness.

But in his working-class past and his escape from it, Lenya proposes to everybody the possibility of unshackling themselves from the previously powerful, state-promoted myth of Soviet Citizen – proud yet obedient, militant but in the direction determined by the party, having surpassed class, want and individualism in pursuit of an ideal (and in part a reality) of collective, all-encompassing security and social and intellectual identity.

In its place is the crazy, self-interested, wealth-pursuing world of Lenya Golubkov, where luck and nerve bring rewards to oneself and one's own. The family was always a shelter for individuals against the relentless collectivism of Soviet life. Now it drops its defences, and goes on the offensive – a consumption offensive of the kind big stores from Istanbul to Miami have noted with delight, as their cash registers ring to the sound of Russian purchases.

Lenya Golubkov will last as an influence even though the company which gave him birth has folded. He is the media image of the Russian coping with the latest oppression, that of the world of consumption with its attendant images, myths and falsehoods, its new liberations and new enslavements. He is the proletarian turned consumer, the object of history struggling to be its subject. Mr Mavrodi's threat to mobilise millions of Lenya's against the state authorities is likely to be the last throw of a gambler with the chips stacked against him. But he has helped unleash something bigger even than the dreams he encouraged, and has now betrayed.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Investment most pressing economic issue

From S C Vaughan, M Taylor, and D A Vaughan.

Sir, As large suppliers of capital equipment in the UK, we have noted with interest the attention given this week to the subject of investment and are delighted that, at long last, the matter is becoming more important ("CBI urges tax changes to aid investment", July 28).

Given the fact that we have such beneficial economic conditions, it should be of great concern for the longer term that the Confederation of British Industry trends survey showed such a small number of manufacturers planning to invest in plant and machinery in the future. The UK has always been the poor relation of the developed economies as far as investment is concerned. UK machine tool manufacturers are doing extremely well on the back of strong growth overseas, while the UK market remains relatively poor. Without vitally needed investment in high technology, plant and equipment, UK manufacturing cannot hope to close the 25 per cent gap in productivity which the government identified in the recent white paper. While a highly skilled workforce is of course essential, it becomes academic if it has to work on outdated equipment. We agree completely with the need to be competitive, to be benchmarked against our foreign competition and the need to increase our productivity, but all are fundamentally relative to investment.

Manufacturing investment should be the most important economic issue facing the UK today. The chancellor should use his forthcoming budget to address the UK's investment deficiency as low interest rates and inflation are obviously not sufficient for growth.

S C Vaughan,
president and managing director, Hahn & Kolb GB
M Taylor,
vice president and managing director, Bridgeport Machines
D A Vaughan,
vice president and managing director, Soag Machinery
M J Legg, *managing director, Hitachi Seiki UK,*
c/o Machine Tool Technologies Association,
62 Bayswater Road,
London W2 3PS

Air France support should be decided on a commercial basis

From Dr Mike Walker.

Sir, In your editorial, "Flight plan for Air France" (July 25), you argue that state aid to Air France should be tied to a deadline for the full privatisation of Air France. Why wait until after the provision of state aid? As you rightly say, the lack of a market for shares in Air France makes it difficult to judge whether state aid is being granted on commercial terms. However, if Air France were privatised, the market could decide whether or not it was a sensible commercial decision to invest another FFr20bn in Air France. If it is a sensible commercial decision, then the funds could be raised on the markets; if it is not, then the funds would not be forthcoming.

Mike Walker,
Lexecon,
33-34 Alfred Place,
London WC1E 7DP

Programme changed so that young people have appropriate training

From Mr T J Potts.

Sir, I write in response to your article "Training cuts 'cause destitution'" (July 22). In the interests of providing a balanced view, I would make the following points. Funding for the joint venture, known as Job, between the Children's Society and the Greater Nottingham Training and Enterprise Council was ended because a detailed audit by the GNTEC revealed that the young people were not receiving the training and guidance needed to achieve their full potential.

As a result the trainees were transferred on to integrated programmes where it was felt they would receive improved quality training.

The important point here is that they were transferred to training companies with both the experience and expertise to work with people with additional needs and achieve positive outcomes from their training. Each trainee is offered access to qualified professionals who guide, counsel and monitor all aspects of their development.

In our view, the combination of an integrated environment backed by professional counselling gives young people with additional needs the best possible preparation to successfully enter the world of work.

A number of trainees from the original scheme have subsequently achieved qualifications and jobs.

One of the many obligations that Tecs have is for the health and safety of trainees, and this aspect was taken into consideration in arriving at our decision.

The GNTEC was recently commended by the National Council for Voluntary Services for its work with additional needs groups.

T J Potts,
chief executive,
Greater Nottingham Training and Enterprise Council,
Marina Road,
Castle Marine Park,
Nottingham NG7 1TN

Not on a ballot paper

From Mr John A Newbould.

Sir, In common with many shareholders who bought shares in the privatisation of the water industry, I have just received from Yorkshire Water the annual report, notice of the annual general meeting and the form of proxy. I was extremely concerned that, on the form of proxy, the company had authorised the words "Not recommended by the directors" against the side of item 7, "Election of Mrs D Scott".

In common with Mrs Scott, who made a statement advocating her election, the directors of the company have had an ample opportunity to make a statement of their reasons for opposing the resolution, in the notice of the annual general meeting.

In my opinion, to add such a statement to a ballot paper is an abuse of the traditions of the ballot procedures in all elections held in the UK.

If such practices are to become common place within public company elections, I trust that other small shareholders will join with me in pressing parliament to amend the Company's Act to outlaw such statements on the ballot paper.

John A Newbould,
Tapton House,
30 Moorlands,
Wickersley,
Rotherham S66 0AT

Flyers should also smarten up

From Ms Rita Zanon.

Sir, For once I agree wholeheartedly with Clement Crisp ("The decline and fall of elegance", July 18). I also think the scheme proposed by Mr David Sawers (Letters, July 22) could also be applied to airline passengers, but perhaps without the evening dress – although this is far preferable to the vests, shorts and training shoes now regularly in evidence.

Rita Zanon,
director,
The Addison Tool Co,
Elliott House,
Victoria Road,
London NW10 6NY

H&C cuts plantations link with $273m sale

By Peggy Hollinger

Harrisons & Crosfield yesterday closed the book on almost a century of history with the announcement that it had sold its Indonesian plantations to a group of four Indonesian businessmen for $273m (£176m) cash.

The disposal has been expected for some time. Harrisons, which began life in the 19th century as a tea trader, has been steadily severing its colonial links since the late 1980s.

Harrison's 19 Indonesian estates, producing palm oil, rubber, cocoa, copra, tea and coffee, are by far the most profitable of the company's remaining plantations. They were nationalised by the Indonesian government in 1964, but returned to Harrison's ownership in 1969.

Last year they contributed £18.1m of the reported £24m in plantation operating profits.

The group retains a 57 per cent stake in palm oil plantations in Papua New Guinea.

Mr Bill Turcan, the new chief executive, said Harrisons had got the best possible price against a background of rising palm oil prices.

The proceeds will be used to reduce short-term debt, he said, with the balance put on deposit. If the sale had been completed in the last financial year, debt would have been reduced to £91m to give gearing of 14 per cent compared with the reported 48 per cent.

Earnings would have been diluted by about 0.5p.

The company will be publishing pro forma accounts for shareholders when it reports its interim results on Wednesday, Mr Turcan said.

The disposal is part of Harrisons' strategy to reposition its businesses.

However, it was also forced on the group in part by the Indonesian president's decree that at least 20 per cent of the business had to be sold to Indonesian nationals. Harrisons had been preparing for a flotation in 1996, but decided to sell the whole operation after several approaches.

Retail growth helps BAA to £111m in first quarter

By Simon Davies

Rapidly increasing retail income helped BAA turn in an 11 per cent rise in pre-tax profits to £111m for the first quarter to June 30.

Turnover rose 5 per cent from £291m to £305m.

The largest increase came from retail revenue, up 8.5 per cent at £125m, in spite of the ongoing programme of redeveloping terminal facilities.

The company has completed the extension of the retail areas at Terminals 3 and 4 at Heathrow, where double digit increases were achieved.

It is now implementing a rolling expansion programme which will provide it with 900,000 sq ft of retail space by 1997. It currently has 600,000 sq ft of shopping space.

Passenger numbers grew by 6 per cent to 22.1m during the quarter, and the company, which operates seven UK airports, is predicting that traffic growth will be maintained at between 5 and 6 per cent for the current year.

In the most recent set of statistics, for June, growth in passenger throughput had accelerated to 9 per cent.

Sir John Egan, chief executive, said: "Our strategy of developing the core business, building revenue and controlling costs has enabled us to capitalise on this growth and this confirms our confidence in the prospects for the next nine months and beyond."

He said Gatwick had recorded its strongest growth for three years, due to increasing charter traffic.

Revenues from airport charges rose 5.6 per cent to £117m, while airport property income improved 11 per cent to £40m (£36m), as new facilities came on stream.

Capital expenditure increased by 73 per cent to £88m, reflecting the £1.4bn spending programme announced earlier this year. This included a substantial increase in spending on the £300m Heathrow Express, the high speed rail link to London's Paddington station due for completion in 1997.

Earnings per share were 8p (7.2p).

The share price fell 20p to 953p on profit taking, but analysts maintained their full year forecasts, with expectations of about £370m for the year to end-March.

Tesco considers next move

By Neil Buckley

City analysts were divided yesterday over whether Tesco was likely to re-enter the takeover battle for Wm Low following J Sainsbury's bid of 305p a share for the Scottish supermarket group on Thursday.

After Tesco's failure to respond immediately with a higher bid, and reports that its directors and advisers were locked in meetings yesterday, there were suggestions that the UK's second-largest food retailer was wavering over whether to raise its offer.

Tesco is thought to have expected a bid from Sainsbury of about 280p a share, and has been wrong footed by the 305p offer, which valued Wm Low at £210m – a 36 per cent premium to Tesco's original agreed offer of 225p a share, worth £154m.

"I don't think Tesco had really thought through the implications of Sainsbury coming back at that price," said one analyst.

A source close to Tesco hinted the company was anxious not to be seen to have been pushed into overpaying for the 57-store Wm Low group.

Most analysts, however, still believe Tesco will make a bid of about 325p a share on Monday or Tuesday. That would leave Sainsbury with the choice of whether to push the price to 350p or more.

Others are convinced Tesco will itself bid 350p in an attempt to guarantee victory.

"I think Tesco will bid 350p on Monday," said Mr Nick Bubb, retailing analyst at Morgan Stanley. "I am beginning to wonder if Sainsbury would then come back at 400p."

Shares in Wm Low fell 1p to 323p.

However, shares in Wm Morrison, the north of England-based superstore group, gained 5½p to 139¼p yesterday amid speculation that it might become a takeover target.

Gt Southern up 11% as SCI buys more shares

By Simon Davies

Great Southern Group, the besieged UK funeral company, yesterday announced an 11 per cent increase in interim profits and urged shareholders to ignore the current offer by Service Corporation International, the US funeral group.

However, SCI executives will fly into London on Sunday night presaging an expected increase in their 600p a share bid for Britain's third largest funeral operator.

Mr Bill Heiligbrodt, president of SCI, described the latest document by Great Southern as "pathetic". His company bought a further 1.6 per cent of the company's convertible shares yesterday, showing SCI's commitment to the bid.

However, the bid remains opposed by JD Field, Great Southern's largest shareholder, which owns 56 per cent. Members of the Field family, and the trustees which control 70 per cent of JD Field, met yesterday to discuss SCI's offer.

Mr Christopher Stainforth, managing director of corporate finance at Guinness Mahon, JD Field's advisers, said: "Everyone is agreed that anything close to £6 is just not enough."

Great Southern's £3.82m (£3.45m) pre-tax profit for the half year to June 30 was set against a 2.5 per cent decline in the mortality rate, and operating profits from its core business of retail funeral services fell to £2.31m (£2.38m).

The crematoria and cemeteries operations increased profits to £1.12m (£1.02m), but the main contributor to growth was its pre-paid funeral business, Chosen Heritage. Great Southern sold 10,500 (9,600) funeral plans in the first half and has started booking profits from the actuarial surplus of funds held from these plans, set against the anticipated costs of the funerals. This contributed £774,000 (£552,000 restated).

Earnings per share were 19.7p (17.6p) and an interim dividend of 4.5p (4p) is declared. An increased final is forecast for a 14p (12.2p) total.

SCI only records profits from its "pre-need" policies upon completion of the actual burial, and it has attacked Great Southern's accounting treatment.

SCI has another week to increase its offer.

Future worries affect the present

John Gapper on the clearers' prospects in the wake of Lloyds' results

On the basis that it is better for a company's share price to travel hopefully than to arrive, yesterday was a predictably bad day for UK banks. Lloyds' arrival at the point of a high return on equity, huge cash flows and a large dividend rise was greeted by a sharp fall in its shares.

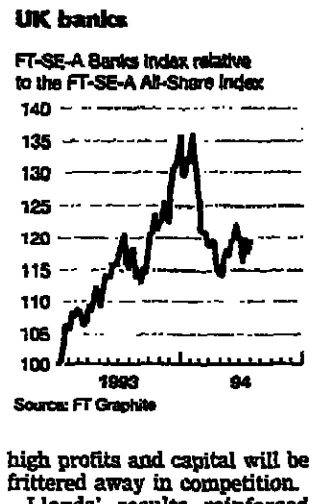
The interim reporting season of the clearing banks, which was started by Lloyds and will continue next week with Abbey National and National Westminster, will show an industry in exceptionally good shape. But it will also indicate reasons why most investors think the future will be tougher.

If there were no worries about that, Lloyds' 22 per cent return on equity would appear manna from heaven. "You rub your eyes at the returns," says Mr Chris Ellerton, banking analyst at SG Warburg. "The sector cannot sustain a return like that, or everyone would want to start a bank."

One reason that the banks' results are likely to be so good is that bad debts are now falling quickly. The credit quality of UK companies improved strongly in the first half – shown by the fall in Lloyds' specific bad debt provisions for large corporate lending to £7m, against £38m.

Bank shares have already fallen sharply this year. This is largely because of tightening US monetary policy, which brought an end to UK interest rate falls. The shares of HSBC Holdings – parent of Midland Bank – and Standard Chartered have also been badly affected by unsettled Asia Pacific markets.

The shares have also responded adversely to the belief that banks face testing times. They could ratchet up earnings during the recession by increasing charges and loan margins. But analysts and investors now think that their



high profits and capital will be frittered away in competition.

Lloyds' results reinforced this impression in a number of ways:

● The bank's loans and advances to customers fell from £39.2bn at the year-end to £38bn at the end of June. Loan demand has been subdued despite the recovery, although Sir Brian Pitman, Lloyds' chief executive, said a rise in demand for loans was likely to give the bank "a tail-wind" by the year-end.

● It added a further half percentage point to its tier one ratio of capital to risk-weighted assets, taking it to 7.1 per cent. It could be taken to less than 5 per cent by the Cheltenham & Gloucester acquisition, but it is a sign that other banks will soon build up capital well in excess of their needs.

● Fees and commissions were flat, rising only from £656m to £695m. The rise in fees was one of the main methods by which banks improved operating income in the early 1990s, taking the opportunity presented by either losses or slim profits to re-price services to companies and individuals.

● Net interest income in the UK retail banking and insurance business fell marginally, from £661m to £655m. The bank's mortgage balances grew faster than the industry as a

Ashley Ashwood

Sir Robin Ibbs (left) and Sir Brian Pitman: possibility of lower prices for customers to increase market share

whole, but suffered an erosion in margins. Sir Brian emphasised the extreme price sensitivity of the mortgage market.

Taken together, analysts argue that this means banks are building up cash for which they have no use. It will either find an outlet in acquisitions similar to Lloyds' purchase of C&C, or will be handed back to shareholders, or will be used to pay for price competition to gain market share.

Lloyds mooted all three possibilities yesterday, although it sounded unenthusiastic about the second. Sir Robin Ibbs, chairman, said that it might buy back shares as a means of distributing capital in the medium-term, but only "if we found there was no better way of using the money".

The possibility of price competition was openly discussed by Sir Brian, who said Lloyds might lower the gap between the cost of equity – currently at 12 per cent – and the return on its equity by lowering prices. However, it would only do so if it calculated that volumes would rise to compensate.

In practice, analysts believe that banks will have little choice but to succumb to price competition in an overcrowded retail market. Mr Ellerton cites the example of a colleague charged a 43 per cent annual percentage rate of interest on his £500 mortgage, after taking fees into account.

"A lot of the charges they stuck on in the recession will unwind now. They just will not be able to hold them," he says. Mr Ellerton says that lower-cost financial services producers such as Lloyds and C&G will initiate price wars because they will be able to bear competition more readily.

This provides an uncertain future for bank dividends, after the large increases paid out by several at the full-year.

Such is the expectation generated by banks' capital strength that Lloyds' 14 per cent rise was greeted with derision yesterday. That will not have comforted the banks yet to report.

Capital available for C&G buy

Sir Brian Pitman, Lloyds Bank's chief executive, yesterday expressed confidence that the bank would have sufficient capital to buy Cheltenham & Gloucester Building Society without difficulty given its strong cash flow, writes John Gapper.

Shareholders' equity grew by 10 per cent to £3.37bn over the six months to June 30 1994 and a further £800m was raised in loan capital. The interim dividend is increased by 14 per cent to 7.5p, payable from earnings per share ahead 15 per cent to 27.1p.

Analysts estimated that the bank's tier one ratio of core capital to risk-weighted assets would fall to about 5 per cent if the cash was paid immediately, but Sir Brian said the bank could release further problem country debt provisions.

Pre-tax profits from UK retail banking and insurance rose to £198m (£130m) after a fall in debt provisions from £233m to £182m. Corporate banking and treasury profits rose from £108m to £171m with provisions falling to £7m (£38m).

Profits from private banking and financial services rose slightly to £53m (£51m). Sir Brian said this was because charges depended on the value of assets managed, and these had been affected by financial markets turmoil.

The overall group net interest margin fell to 3.28 per cent (3.38 per cent), despite a slight rise in the domestic margin to 3.98 per cent (3.97 per cent). Sir Brian said this was because of growth in overseas assets.

Balances in non interest-bearing current accounts rose to £3.9bn (£3.5bn), while money invested in savings and investment accounts fell from £10bn to £9.3bn.

Evans Halshaw buys more dealerships for £5.7m

By Paul Cheeseright, Midlands Correspondent

Evans Halshaw, the motor distributor, is expanding further from its West Midlands base with the acquisition for £5.7m of GT Cars Group, a private company with seven dealerships in the east Midlands and South Yorkshire.

The purchase, foreshadowed in June when Evans Halshaw launched a £29m rights issue, completes an acquisitions programme which, in the last year, has more than doubled its number of dealerships to 90.

"We need to spend the next 12 to 18 months consolidating what we've got," said Mr Geoffrey Dale, chairman.

Consideration for GT is £750,000 in cash, £2.7m in loan notes and the issue of 495,050 new shares at 454½p each, a premium of 11½p on yesterday's closing share price.

In a separate transaction, Evans Halshaw is paying £1m in loan notes for the freehold of three sites which GT holds under lease.

In the 1993 year, GT reported pre-tax profits of £662,000 on turnover of £41.2m.

Tottenham buys £2m star

Tottenham Hotspur, the quoted north London football club, has announced its second big acquisition in a week with the £2m purchase of Jurgen Klinsmann, the German striker.

The deal follows negotiations between Mr Alan Sugar, the Tottenham chairman, and the Monaco club where Klinsmann played until the end of last season.

Earlier this week the club agreed to pay £2.6m for Ilie Dumitrescu, the Romanian striker.

Both deals will be financed from existing cash resources and banking facilities.

Lower bad debts boost N of England Society

By Alison Smith

North of England Building Society, which is planning to merge with Northern Rock, yesterday announced pre-tax profits of £8.21m for the six months to June 30, an increase of 6.8 per cent on the comparable £7.7m.

The rise was largely due to a fall in provisions for bad and doubtful debts from £787,000 to £327,000.

New gross lending fell to £61m over the period, sharply down on the £77.4m advanced in the first half of 1993.

The decline compared with the sector average which showed a slight rise in gross lending.

The society experienced a net outflow of funds totalling £12.6m, against an inflow of £28.3m. Total assets rose slightly over the six months from £1.509bn at the start of the year to stand at £1.514bn, compared with £1.49bn a year earlier.

Mr Ronald Shiel, chairman, said that the merger with Northern Rock, the 11th largest society, had taken much time and effort since its announcement at the start of May.

He acknowledged that activity in the lending and savings market had been at a low level, and said that competition had been intense for what business was available.

Conran loan to Fitch approved

An extraordinary meeting of Fitch, the design company, yesterday approved the provision of a loan facility of £325,000 from Sir Terence Conran to the company, and granted him options to subscribe for up to 2.5m ordinary shares – 7 per cent of the issued capital.

Sir Terence already holds 25 per cent, while the French Brand Trust owns 35 per cent.

Senior managers will also have the option to purchase up to 30 per cent of the company from Sir Terence and the Brand Trust.

The move was in order to "foster a spirit of partnership between shareholders and key individuals", directors said.

Fitch cut pre-tax losses from £3.98m to £3.18m for 1993.

Beacon Investment Trust raises £19m

By Bethan Hutton

A new investment trust specialising in small companies traded under Stock Exchange Rule 4.2 – until recently known as Rule 535.2 – has raised £19m through an institutional placing.

The Beacon Investment Trust is to be managed by Rutherford Asset Management, joining a stable of trusts concentrating on smaller companies. Beacon will seek to exploit the opportunities created by London's commitment to develop the Rule 4.2 market, seen as a successor to the USM.

Shares in the trust will be eligible for inclusion in personal equity plans, which should boost its appeal to private investors.

The shares have been issued at 100p, having an initial net asset value of at least 96.5p, with one warrant attached to every five shares. The trust will have an initial life of 10 years. Dealings are due to start on August 8.

The Rule 4.2 market is a more lightly regulated and cheaper home for small company shares than the Official List. It originally operated by means of matched bargains, but there is growing involvement by marketmakers. Companies using the trading facility include football clubs and Weetabix.

NEWS DIGEST

Rise at BAT Australian offshoot

WD & HO Wills, the Australian cigarette manufacturer controlled by BAT Industries, announced a 21 per cent increase in profits before tax and exceptionals in the six months to end-June, to A$42m (£20.3m), against A$34.8m.

Turnover for the company, which is quoted separately on the Australian stock market, increased from A$444m to A$474.7m. Net profits were A$27.2m, compared with losses of A$7.17m after taking account of A$49.2m of exceptional items.

Beverley

Shares of Beverley Group, the engineering company which is the subject of a proposed reverse take-over by the Hong Kong-based Far East group, were suspended at 6½p yesterday, pending full details of the deal.

The company is proposing to purchase a 51 per cent stake in a Chinese boiler manufacturer from Far East Consortium, in exchange for new shares, which would give the Hong Kong company up to 70 per cent of Beverley.

Whitbread

Whitbread has agreed outline terms to buy a German restaurant chain which will give the brewing, retailing and leisure group a portfolio of sites in every German city by adding 26 outlets to its existing 37.

Mr David Thomas, managing director of Whitbread Restaurants and Leisure, said the Moredo chain of steak restaurants would complement Whitbread's Churrasco business.

Mr Thomas said the consideration would "not be material in relation to Whitbread's net assets."

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Electric & Gen ....fin	1.65	Sept 23	1.6	3.2	3.1
Forminster ....fin	11.35	Sept 29	10.04	15.98	14.08
Great Southern §........int	4.4	Oct 3	4	-	12.2
Grosvenor Inns §........fin	2.5†	Oct 7	2.25	4.75	4.25
Lloyds Bank ....int	7.5	Oct 13	6.6	-	22.1
Zetters ....fin	4.5	Oct 4	4	8.5	8

Dividends shown pence per share net. †On increased capital. §USM stock.

Zetters

Zetters Group, the football pools promoter, yesterday reported a 15 per cent increase in annual profits.

On turnover of £23m (£22m), and despite lower interest receivable of £181,000 (£320,000), the pre-tax line for the year to March 31 advanced from £880,000 to £1.02m.

Earnings per share were 10.1p (8.9p); a recommended final dividend of 4.5p brings the total for the year to 8.5p (8p), the first increase since 1991.

John Lusty

John Lusty Group, the USM-quoted food importer, reported reduced pre-tax losses of £633,000 for the 14 months to January 31, against £2.25m for the previous 12 months.

Turnover was £8.65m (£8.68m) of which £404,000 (£740,000) related to discontinued activities and £1.48m to acquisitions. Operating losses were £513,000 (£1.93m) with £40,000 (£52,000) from discontinued activities. Acquisitions contributed profits of £113,000.

Losses per share were 1.46p (19.38p).

TI

TI Group, the specialist engineering and aerospace company, yesterday said that Mr Werner Dieter, the out-going chief executive of Mannesmann, the German engineering group, had decide to postpone joining the board as a non-executive director.

He is understood to have delayed joining until an investigation has been completed by the Düsseldorf state prosecutor into allegations that Mr Dieter forced Rexroth, a Mannesmann subsidiary, to buy products at inflated prices from Hydac, a company largely owned by Mr Dieter's family.

Electric & General

Electric & General Investment had a net asset value of 212.3p at May 31, a 14 per cent improvement on the 185.8p of a year earlier.

Earnings per share for the year were 3.3p (3.21p).

A final dividend of 1.65p (1.6p) makes a total of 3.2p (3.1p).

Kleinwort High

Net revenue for the year to end-June at Kleinwort High Income Trust rose from £2.37m to £2.41m, to give an increase in earnings per share from 7.89p to 8.05p.

The fourth quarterly dividend is maintained at 1.875p to give a same-again total for the year of 7.5p.

Net asset value for the zero dividend preference shares, designed for capital appreciation, was 137.64p and for the ordinary shares, 81.5p.

TT/Dale

TT Group yesterday sent its offer document to shareholders of Dale Electric International.

The recommended offer, of 70.25p cash per share, values the North Yorkshire-based generator manufacturer at £16m and represents a premium of 17 per cent over the Dale share price prior to the announcement. There is also a 1-for-5 share alternative.

TT owns or has agreed to acquire 3.61m Dale shares, representing about 15.8 per cent. Including acceptances, it has 19.3 per cent.

Forminster

Forminster, the clothing manufacturer, lifted pre-tax profits from £2.2m to £2.4m for the year to April 30, on turnover up from £23.8m to £25.6m.

The company is seeking to increase sales by "organic growth, or acquisition, whenever there is an appropriate opportunity", said Mr Ronald Gulliver, chairman.

Earnings per share were 60.5p (53.79p). A final dividend of 11.35p is recommended, to give a total of 15.98p (14.08p).

Green Property

Green Property, the Dublin-based investment group, announced sharply improved interim profits as it drew benefit from the acquisition of Na Mara Investments in February.

Pre-tax profits for the six months to June 30 jumped to I£2.05m (£2.02m) against I£860,000 last time, and took in a surplus of I£1.09m from the sale of properties acquired with Na Mara.

Earnings per share were 6.78p against a restated 3.42p. The interim dividend is again 1.2p, payable on capital increased by the rights issue earlier this year.

Wm Ransom

A legal settlement of £325,000 helped William Ransom increase pre-tax profit by 13 per cent, from £817,000 to £925,000, despite a fall in turnover from £7.19m to £6.83m.

The settlement related to an abortive move to Biggleswade for the pharmaceutical products maker.

Earnings per share were 4.18p (3.49p). A final dividend of 1.22p gives a total of 1.989p (1.903p).

Two US healthcare groups agree to $720m merger

By Richard Waters in New York

The spate of mergers among health maintenance organisations (HMOs) in the US continued yesterday with the announcement of a $720m all-stock merger of two groups with operations concentrated in western states.

Foundation Health, a company based in California which has recently concluded a series of acquisitions in the south-east, said it had reached agreement to acquire Arizona-based Intergroup Healthcare. It is to pay $444m in stock for Thomas-Davis Medical Centres, which owns 63 per cent of Intergroup. In addition, Foundation is offering a choice of ordinary stock or convertible preference shares to holders of the remaining Intergroup shares.

Together, the two would cover 1m individuals through their HMO operations and have annual revenues of $2.4bn, creating a company in the top dozen of that US sector.

HMOs are rapidly replacing traditional health insurance companies in the US. Unlike insurers, they actively manage the provision of healthcare to the individuals they cover in order to bring down costs.

The wave of acquisitions in the sector marks an attempt by the bigger organisations to spread their administrative and marketing costs across a bigger customer base, to increase their bargaining power with healthcare providers such as hospitals and to extend their networks into other regions in the country.

The Intergroup deal appeared to mark the growing competition to acquire smaller HMOs. The price being offered was well ahead of market expectations the day before, when Intergroup confirmed it was in discussions with an unnamed bidder. Yesterday morning, its shares rose $10½ to $58 after a jump of $9¼ the day before.

Foundation said the stock it had to issue in the deal would cut its earnings per share by 35 cents next year. But it expected lower costs and the opportunity to sell new services to Intergroup's customers.

Escondida mine to expand further

By Nikki Tait in Sydney and Kenneth Gooding in London

The go-ahead has been given for a further expansion of the Escondida copper mine in Chile at a cost of US$520m. It will make Escondida the world's biggest copper mine by mid-1996 and also turn Broken Hill Proprietary, which entered the business only five years ago, into the world's leading producer of traded copper.

RTZ of the UK, the world's biggest mining company and one of the partners in Escondida, will move ahead of Phelps Dodge, the biggest US copper producer and be not far behind Codelco, the state-owned Chilean group that currently heads the world copper production league.

The new expansion will lift Escondida's annual production capacity from 480,000 tonnes of copper to an average of 800,000 tonnes.

Construction will start immediately. The increased tonnage will start to build up from the second half of next year and output at the higher level will last to 2000.

Escondida will increase supply of copper concentrate (an intermediate material) to local smelters – among them those owned by Enami, Codelco and Refimet. Following expansion, about 30 per cent of the mine's production will be refined in Chile.

Production started at the $824m Escondida open pit mine in 1990, and has been expanded twice – costing $76m and $200m respectively.

BHP, Australia's biggest company, owns 57.5 per cent; RTZ has 30 per cent; a Japanese consortium led by Mitsubishi, 10 per cent; and International Finance Corporation, 2.5 per cent.

The news left BHP shares 32 cents higher at A$19.02 in Australia yesterday, in a generally firmer market.

RTZ pointed out that Escondida produced about 389,000 tonnes of copper last year and contributed £36m ($55.4m) to RTZ's net earnings totalling £373m.

Strong demand lifts Sapporo Beer

By Emiko Terazono in Tokyo

Profits at Sapporo Beer, the Japanese brewer, rose sharply for the first six months to June due to a rise in demand and a decline in operational costs.

Non-consolidated pre-tax profits rose 41.2 per cent from a year earlier to Y6.9bn ($66.4m) on a 4.3 per cent rise in sales to Y267.4bn. After-tax profits rose 8.9 per cent to Y3.2bn. Sales of the company's mainstay beer rose 3 per cent to Y238.1bn, with sales volume increasing 1 per cent. Operating profits rose 51 per cent to Y11.2bn due to a Y5bn cut in material, distribution, and advertising costs.

The company expects full-year pre-tax profits to rise 4 per cent to Y11.5bn on a 9 per cent increase in sales to Y620bn.

Groupe Bull reduces loss to FFr843m in first half

By David Buchan in Paris

Groupe Bull, the state-controlled French computer company, yesterday said it had brought its net current loss for the first half of this year down to FFr843m ($152m), or less than half its FFr1.98bn loss for the same period of 1993.

Mr Jean-Marie Descarpentries, president, claimed his goal for the group to break even on its operational results for the whole of 1994 "now appears achieveable", and Bull was "now positioned for privatisation".

The European Commission has still to rule on whether the French government can go ahead with a FFr2.5bn capital increase for Bull, and whether a similar FFr7bn allocation last year to Bull was permissible.

Bull has said it needs this aid to counter the effect of chronic past losses. The latest sharp reduction in Bull's losses will not necessarily weaken French arguments in Brussels for the state aid, which can perhaps now more plausibly be represented as a rational investment rather than money disappearing into a bottomless pit.

Bull reduced its operating loss to FFr433m in the first six months of this year, compared with FFr1.2bn in the same period a year earlier. Turnover rose 11 per cent to FFr13.85bn, with the strongest growth recorded in the personal computer division of Zenith Data System whose sales rose 55 per cent on a year earlier. Bull said stringent cost and salary restraints accounted for the improvement.

Last month, the French government invited tenders for banks to act as advisers on Bull's privatisation. At the same time Mr Descarpentries has tried to reinforce the group's links with NEC of Japan which holds a 4.4 per cent stake in Bull.

Credit Suisse falls 27% to SFr1.8bn

By Ian Rodger in Zurich

Credit Suisse, flagship bank of the CS Holding financial services group, has kicked off the big Swiss banks' interim result season with a disappointing 27 per cent fall in pre-tax profits to SFr1.76bn ($1.3bn).

A 35 per cent decline in income from trading to SFr949m was accompanied by a 15 per cent drop in net interest income to SFr1.29bn. Of the bank's three main sources of earnings, only commission business showed growth, advancing 10 per cent to SFr1.35bn.

The group gave no figure for net income, but said it was slightly down on the result in the comparative period dueto a less acute need for provisions for bad loans.

Of the big three Swiss banks, Credit Suisse is known as the most dependent on trading of foreign exchange, precious metals, interest rate instruments and securities.

Last year, with all markets rising, this was the group's largest source of income, accounting for 37 per cent of total receipts.

The bank said income from foreign exchange, precious metal and banknote trading in the first half remained only slightly below last year's level, but the slump in international stock and bond markets hit hard.

The decline in net interest income was attributed to narrower interest rate margins, especially in the Swiss market, and to stagnant lending volumes. Credit Suisse said interest margins were extraordinarily high in the first half of 1993.

The June 30 balance sheet showed a SFr3.6bn decline in lendings to SFr120.3bn since the end of 1993, but the bank said this was due to the weakness of the US dollar.

The contribution from Credit Suisse Financial Products, the bank's 50 per cent-owned derivatives house, "matched last year's extremely good results". But earnings of Swiss Volksbank, acquired last year by CS Holding and now consolidated with Credit Suisse, "are not yet satisfactory".

● Vontobel, the Zurich-based private banking and asset management group, reporting interim figures for the first time, posted net income of SFr19.8m in the first six months of 1994.

No comparative figures were given. In the full year 1993, the group had net income of SFr40.1m.

The group said it suffered a loss of SFr5.7m on trading of its own securities holdings in the first half.

WMX plans to buy back unit's shares

By Laurie Morse in Chicago

WMX Technologies, the international waste hauler based in Chicago, plans to buy back all of the publicly-held shares of Chemical Waste Management, its hazardous waste handling subsidiary, through an exchange of stock, essentially merging the two companies.

The company said it was planning a review of its operations, hinting that it may undergo a second restructuring in as many years.

WMX Technologies, formerly known as Waste Management, intends to issue 12.1m shares, valued at nearly $353m, to regain full ownership of Chemical Waste Management in a tax-free transaction.

Chemical Waste Management shares were up $⅝ at $8¼ at midsession in New York yesterday, while WMX Technologies were unchanged at $29¼.

WMX already owns 78.6 per cent of Chemical Waste's outstanding shares and intends to exchange 0.27 of its own shares for each one share of Chemical Waste's common stock it does not own. Chemical Waste's public shareholders need to approve the transaction.

Austrian bank hit by trading income drop

By Ian Rodger

Guido Schmidt-Chiari: chief executive

Creditanstalt-Bankverein (CA), the Austrian bank in the midst of privatisation negotiations, has reported a 17 per cent decline in pre-tax profit in the first half to Sch1.9bn ($165m) due to a steep fall in trading income.

Meanwhile, the Austrian finance ministry has decided to commission an investment bank to evaluate bids by CS Holding of Switzerland and a consortium of Austrian, Italian and German investors for a large portion of the government's 70 per cent voting stake in CA.

A decision is expected after the Austrian general elections on October 9.

CA, Austria's second largest bank, said it expected an improvement in second-half trading and net interest income, but forecast pre-tax profit for the full year would be lower than last year's record Sch5.4bn. However, it was confident that net income would be higher as a result of lower provisions for bad loans.

CA saw income from own account trading slide 45 per cent to Sch455m in the first six months of 1994. The bank's so-called partial operating profit, which excludes trading, was up 11.7 per cent to Sch1.35bn.

Mr Guido Schmidt-Chiari, chief executive, said provisions in the first half were less than Sch1.5bn compared with Sch3.8bn in the whole of last year. Total assets at the end of June at Sch573.4bn were only 2 per cent higher than at the end of 1993.

Precise consolidated results were not available, but CA said its group pre-tax profit was down 13 per cent to just over Sch2.6bn.

Hazardous waste charge dents Aetna

By Richard Waters

Expected liabilities from the clean-up of hazardous waste sites pushed net income at Aetna, the US insurance group, down 8 per cent in its latest quarter, compared with a year before.

Concern that the company may harbour other pollution-related liabilities pushed Aetna's share price down $3¾, or nearly 7 per cent, to $51¾, during morning trading in New York. Uncertainty about the scale of environmental clean-up costs remains the biggest concern overhanging the US property-casualty insurance industry.

The Connecticut-based company said in the three months to the end of June it had set aside additional reserves to cover environmental indemnity claims, resulting in an after-tax charge of $64m.

The unexpected charge led to a $32m operating loss in Aetna's commercial property/casualty business during the second quarter, compared with a profit of $25m a year before.

The losses were offset in part by advances in life and health insurance businesses, as well as financial services.

COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS

Copper leads rally at LME

The London Metal Exchange copper market ended the week in a more constructive mood as speculative buying repaired some of the damage done by earlier heavy selling.

US investment funds were again the driving force behind a $100-plus plunge that took the three months delivery price below $2,400 a tonne at one point on Wednesday. The later recovery, which was capped by resistance at $2,450, left the price $72 down on the week at $2,442.50 a tonne. Dealers told the Reuters news agency that this reflected an "unsurprising" technical correction.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	-16,325	to 2,523,950
Aluminium alloy	-800	to 26,880
Copper	-225	to 338,650
Lead	-1,075	to 356,925
Nickel	-384	to 133,344
Zinc	+1,850	to 1,214,075
Tin	-110	to 30,880

Copper's rally helped to stiffen other LME contracts, notably aluminium, which was also aided by another big drawdown from exchange warehouse stocks. The 16,525-tonne fall to 2,523,950 tonnes took the total stocks decline from the mid-June peak to 137,575 tonnes. The three months price closed yesterday at $1,478.50 a tonne, still $31.50 down on the week but $54.50 above Wednesday's low.

Other base metals also moved off their lows, but only Lead and nickel ended the week with net gains.

In contrast, the platinum price was in retreat on Thursday and yesterday from 3½-year highs reached earlier in the week.

The surge to $427.50 a troy ounce was prompted by comments made in Tokyo by Mr Michael Steel, market research director of Johnson Matthey, the world's biggest platinum marketing group. In a Reuter interview he suggested that Japan might this year import record quantities of platinum and its sister metal palladium (both are used in motor exhaust catalysts) and that the world platinum supply surplus might disappear by 1995. That also helped to lift the palladium price to a five-year high.

Platinum had become overbought, however, and by yesterday's afternoon "fixing" at the London bullion market the price was back to $419.50 an ounce, up $8 on the week.

Gold had been towed along in the wake of the platinum group metals but the dollar's late strength brought a reaction in the price, which ended 80 cents lower on balance at $383.90 an ounce, $5.45 off its midweek peak.

Coffee remained the most volatile of the commodity markets with it's prices fluctuating in the wide trading range created by the spectacular gains that followed recent Brazilian frosts.

The September futures price at the London Commodity Exchange touched bottom on Monday at $3,362 a tonne as traders awaited publication of the official assessment of the damage done by the frosts and analysts reduced their damage estimates.

When the official assessment came on Tuesday night it showed a coffee bean loss at the top end of the range of analysts' estimates and future's prices recovered somewhat. But the sellers were soon back in the driving seat and, with no more frost thought likely this weekend, the September futures position closed yesterday at $3,415 a tonne, down $43 on the day and $213 on the week.

The Brazilian industry and commerce ministry put the frost losses from the 1995-96 coffee crop, which had previously been projected at 26.5m bags (60kg each) at nearly 11m bags, or 40 per cent. Analysts revised estimates had mostly been between 6m and 9m bags.

Industry and commerce minister Frederico Robalinho said the official figures were preliminary, but added "they will only change a little".

Richard Mooney

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1994 High	1994 Low
Gold per troy oz.	$383.90	-0.80	$405.75	$396.50	$369.50
Silver per troy oz.	342.50p	-1.95	362.50p	384.50p	335.30p
Aluminium 99.7% (cash)	$1450.00	-33.0	$1196.25	$1529.50	$1107.50
Copper Grade A (cash)	$2438.50	-68.5	$1971.5	$2521.00	$1731.50
Lead (cash)	$564.00	+8.0	$392.00	$592.0	$428.0
Nickel (cash)	$6212.00	+54.5	$4888.0	$6490	$5210.0
Zinc SHG (cash)	$942.50	-24.5	$925.5	$1014	$900.5
Tin (cash)	$5205	-30	$4837.5	$5650.0	$4730.0
Cocoa Futures Sep	£1124	+32	£748	£1124	£859
Coffee Futures Sep	$3418	-210	$1037	$3828	$1175
Sugar (LDP Raw)	$301.0	-2.0	$243.3	$309.4	$252.9
Barley Futures Nov	£104.50	+0.20	£103.40	£105.50	£92.85
Wheat Futures Nov	£105.30	-0.30	£107.05	£117.50	£97.80
Cotton Outlook A Index	83.35c	+1.85	58.55c	87.10c	62.45c
Wool (64s Super)	440p	+15	353p	440p	342p
Oil (Brent Blend)	$18.61x	+0.80	$16.78	$18.61	$13.16

Per tonne unless otherwise stated. p Pence/kg. c Cents lb. x Sep

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1449-51	1478-79
Previous	1426.5-27.5	1454-55
High/low	1446	1483/1462
AM Official	1445-46	1471-72
Kerb close		1483-4
Open int.	264,023	
Total daily turnover	65,976	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1480-85	1495-500
Previous	1445-50	1455-60
High/low		1515/1475
AM Official	1475-85	1490-500
Kerb close		1485-500
Open int.	2,836	
Total daily turnover	590	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	583.5-84.5	600-1
Previous	583-84	599-601
High/low		603/598
AM Official	584-84.5	600.5-1.5
Kerb close		602-3
Open int.	41,881	
Total daily turnover	6,460	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6207-17	6295-305
Previous	6130-40	6220-30
High/low	6215	6330/6260
AM Official	6210-15	6290-95
Kerb close		6280-90
Open int.	56,518	
Total daily turnover	[illegible]	

■ TIN ($ per tonne)

■ ZINC, special high grade ($ per tonne)

■ COPPER, grade A ($ per tonne)

■ LME AM Official £/$ rate

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Aug	111.20	+1.30	111.20	110.50	766	137
Sep	111.40	+1.10	111.70	110.70	29,077	6,419
Oct	111.35	+1.10	111.10	111.00	438	19
Nov	111.05	+1.05	-	-	322	112
Dec	110.85	+1.05	110.90	110.20	10,913	502
Jan	110.50	+1.00	-	-	341	14
Total					46,058	7,746

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	383.70-384.10	
Opening	384.10-384.50	
Morning fix	384.05	251.506
Afternoon fix	384.00	249.626
Day's High	384.90-385.30	
Day's Low	382.50-383.00	
Previous close	387.10-387.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.89	6 months	4.55
2 months	4.08	12 months	4.98
3 months	4.22		

Silver Fix	p/troy oz.	US cts equiv.
Spot	346.80	529.25
3 months	351.20	535.05
6 months	356.20	542.10
1 year	368.75	558.75

Gold Coins	$ price	£ equiv.
Krugerrand	392-395	256-259
Maple Leaf	394.00-396.50	
New Sovereign	91-94	59-62

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LCE (£ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LCE (£/tonne)

■ FREIGHT (BIFFEX) LCE ($10/index point)

Oct	1425	+7	1425	1415	594	25
Jan	1430	+2	1430	1430	261	13
Apr	1462	+4	-	-	102	-
Total					2,749	231

	Close	Prev
BFI	1440	1440

Spices
Prices of all grades of pepper rose considerably this week, reports Man Producten. Indonesian shippers were most reluctant to offer any white pepper because of disappointing and delayed arrivals of new crop and this helped to push prices up by US$250 to $300 a tonne. Spot white was on offer at $3,300 and prompt shipment at $3,150, c and f. Black pepper prices were also firmer across the board. Rising demand coupled with limited supplies from most origins pushed prices to new highs. Black pepper of fair average quality for spot delivery reached about $1,850 a tonne and better grades were traded at about $2,000. In the US market the spot price exceeded 90 cents a pound.

SOFTS

■ COCOA LCE (£/tonne)

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LCE ($/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

■ WHITE SUGAR LCE ($/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Sep	98.15	+2.80	99.00	96.10	14,039	317
Nov	101.40	+2.95	102.40	99.10	3,203	150
Jan	104.75	+2.55	105.00	102.75	3,755	78
Mar	107.75	+2.00	107.90	106.45	2,403	130
May	110.25	+0.50	109.75	109.00	746	21
Jul	111.95	-0.05	112.00	111.50	186	34
Total					24,627	846

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jul 29	Jul 28	month ago	year ago
2115.1	2122.3	2074.1	1849.1

■ CRB Futures (Base: 4/9/56=100)

Jul 28	Jul 27	month ago	year ago
232.20	232.58	230.39	218.90

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

■ LIVE HOGS CME (40,000lbs; cents/lbs)

■ PORK BELLIES CME (40,000lbs; cents/lbs)

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — Puts —

■ ALUMINIUM (99.7%) LME

■ COPPER (Grade A) LME

■ COFFEE LCE

3700	112	298	394	843

■ COCOA LCE	Sep	Dec	Sep	Dec
1000	126	164	2	30
1050	82	131	8	47
1100	52	102	23	68

■ BRENT CRUDE IPE	Sep	Oct	Sep	Oct
1700	-	-	2	26
1750	-	-	8	36
1800	75	82	22	57

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Sep)		+or-
Dubai	$18.94-7.12w	+0.220
Brent Blend (dated)	$18.47-8.51	+0.530
Brent Blend (Sep)	$18.59-8.63	+0.500
W.T.I. (1pm est)	$20.29-2.30w	+0.570

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$201-203	+2
Gas Oil	$160-161	+4
Heavy Fuel Oil	$98-99	
Naphtha	$167-172	+2.5
Jet fuel	$173-175	+4

Petroleum Argus Estimates

■ OTHER		
Gold (per troy oz)♣	$383.90	-3.40
Silver (per troy oz)♣	528.50c	-7.00
Platinum (per troy oz.)	$419.50	-2.75
Palladium (per troy oz.)	$150.00	-0.75
Copper (US prod.)	115.0c	-1.0
Lead (US prod.)	37.75c	
Tin (Kuala Lumpur)	13.54m	+0.04
Tin (New York)	242.50c	-1.00
Cattle (live weight)†©	117.74p	-3.82*
Sheep (live weight)†♣©	86.39p	-7.25*
Pigs (live weight)©	67.78p	-3.13*
Lon. day sugar (raw)	$301.0	+2.2
Lon. day sugar (wte)	$343.0	
Tate & Lyle export	£309.0	+2.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	$143.5	
Wheat (US Dark North)	£180.0	
Rubber (Sep)♥	96.00p	+1.00
Rubber (Oct)♥	93.00p	-1.00
Rubber KL RSS No1 Aug	354.5m	-9.0
Coconut Oil (Phil)§	$590.0z	+10.0
Palm Oil (Malay.)§	$557.5q	+12.5
Copra (Phil)§	$405	
Soyabeans (US)	£179.0z	
Cotton Outlook 'A' Index	83.35c	
Wooltops (64s Super)	440p	+15

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Oct/Dec. z Aug. x Aug/Sep. w Sep. † London Physical. § CIF Rotterdam. ♣ Bullion market close. ♥ Sheep (Live weight prices). * Change on week. © Prices are for previous day.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	98.3400	+0.320	9.57	9.54	9.64
Belgium		7.250	04/04	95.3000	+0.650	7.95	7.87	8.00
Canada *		6.500	06/04	82.6000	+0.850	9.19	9.16	9.27
Denmark		7.000	12/04	93.1500	+0.250	7.99	7.98	8.47
France	BTAN	8.000	05/98	104.7500	+0.250	5.54	6.58	6.90
	OAT	5.500	04/04	88.0400	+0.450	7.25	7.31	7.60
Germany Bund		6.750	05/04	99.4100	+0.600	6.83	6.84	7.07
Italy		8.500	01/04	86.8000	+0.200	10.76†	10.54	10.63
Japan	No 119	4.800	06/99	104.7330	-	3.66	3.67	3.48
		4.100	12/03	98.0720	-	4.39	4.34	4.26
Netherlands		5.750	01/04	92.3200	+0.680	6.88	6.86	7.11
Spain		8.000	05/04	85.4000	+0.600	10.44	10.37	10.85
UK Gilts		8.000	06/99	90-22	-3/32	8.31	7.92	8.32
		6.750	11/04	88-03	+12/32	8.50	8.28	8.63
		9.000	10/08	103-08	+8/32	8.60	8.39	8.66
US Treasury *		7.250	05/04	101-02	+45/32	7.10	7.28	7.34
		6.250	08/23	86-10	+54/32	7.40	7.57	7.62
ECU (French Govt)		6.000	04/04	87.9700	+0.190	7.80	7.76	8.11

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. *Source: MMS International*

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

Prime rate	7¼	One month	4.28	Two year	[illegible]
Broker loan rate	5½	Two month	4.46	Three year	[illegible]
Fed.funds	4⅝	Three month	4.38	Five year	[illegible]
Fed.funds at intervention	-	Six month	4.85	10-year	[illegible]
		One year	5.34	30-year	[illegible]

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
[illegible]	1-56	2-58	1-16	2-58

Ecu

■ ECU BOND FUTURES (MATIF)

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change
Sep	102-30	103-25	+0-25
Dec	102-05	103-01	+0-25

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

FT-ACTUARIES FIXED INTEREST INDICES

FT FIXED INTEREST INDICES

GILT EDGED ACTIVITY INDICES

UK GILTS PRICES

Other Fixed Interest

ECONOMIC DIARY – FORWARD EVENTS

TODAY: Meeting of foreign ministers in Geneva to decide next steps in Bosnia peace effort.

TOMORROW: Deadline for Japan to open up public contracts in telecommunications and medical technology purchases in order to avoid sanctions. Mr Hosni Mubarak, president of Egypt, and Mr Yitzhak Rabin, prime minister of Israel, are expected to meet at the Red Sea resort of Taba.

MONDAY: M0 figures (July). US personal income/spending (June); NAPM (July); construction spending (June). South African parliament due to reconvene. Interim statement from Abbey National.

TUESDAY: Advance energy statistics (June). UK official reserves (July). Bank of England quarterly bulletin (third quarter). US new home sales (June). Interim results from BP and National Westminster Bank.

WEDNESDAY: Major British banking groups' quarterly analysis of lending (second quarter). Full monetary statistics (including bank and building society balance sheets, bill turnover statistics, lending secured on dwellings, official operations in the money market, sterling certificates of deposit and sterling commercial paper (June). Overseas travel and tourism (May). US leading indicators (June); factory orders (June). RMT signalmen stage 24-hour rail strike, starting at noon. The Institute of Directors publishes results of survey on White Paper on competitiveness.

THURSDAY: Details of employment, unemployment, earnings, prices and other indicators. Housing starts and completions (June). Interim results from Glynwed, Zeneca and TI Group.

FRIDAY: Family spending - a report on the 1993 Family Expenditure Survey. Index of production (June). Cyclical indicators for the UK economy (July). Insolvency statistics (second quarter). Bankruptcy statistics (second quarter). US employment data (July); consumer credit (June). Japan balance of payments (June). North Korea and the United States are expected to resume high-level talks in Geneva.

CURRENCIES AND MONEY

MARKETS REPORT

Futures plunge

Fears of an imminent rise in UK base rates caused panic selling of short sterling futures yesterday, *writes Philip Gawith.*

Massive volumes were traded and price movements were also exceptionally large. The December contract traded nearly 110,000 lots and there was a 48 basis point spread between the high and the low prices for the day.

The December contract settled at 93.27, suggesting the market believes interest rates will rise by 1.5 percentage points by the end of the year.

These developments overshadowed the release of the US 2nd quarter GDP figure, which rose by 3.7 per cent. This was below market expectations and this took some of the sheen off the dollar which had risen above Y100 on Thursday evening for the first time in a month.

The dollar finished in London at Y100.175, down from a high for the day of Y100.57. Against the D-Mark it finished at DM1.5888, off a high of DM1.5985 before the GDP release.

The prospect of higher interest rates bolstered sterling which rose more than two pfennigs on the day to finish in London at DM2.4413 from DM2.4195. It was also ½ cent firmer against the dollar, closing at $1.5366 from $1.5319.

■ Pound in New York

Jul 29	Latest	Prev. close
£ spot	1.5405	1.5272
1 mth	1.5391	1.5263
3 mth	1.5362	1.5251
1 yr	1.5245	1.5186

■ The market's problems arose from confusing interest rate signals emanating from the Bank of England. In its weekly Treasury bill operations, the Bank accepted a highest bid of 5.7558 per cent – ½ per cent above the current base rate, and around ¾ of a percentage point up on the week.

This led the market to believe that the Bank of England was signalling an imminent tightening of policy.

In its daily operations, however, the Bank provided assistance at the established rate of 5⅛ per cent. This left the market totally confused as to what the Bank was trying to tell it.

The net effect of yesterday's transactions is that the Bank has borrowed money at 5.75 per cent and lent it at 5⅛ per cent. This is an untenable situation beyond the very short term, and either market rates will have to drop back towards the Bank rate, or it will have to be raised.

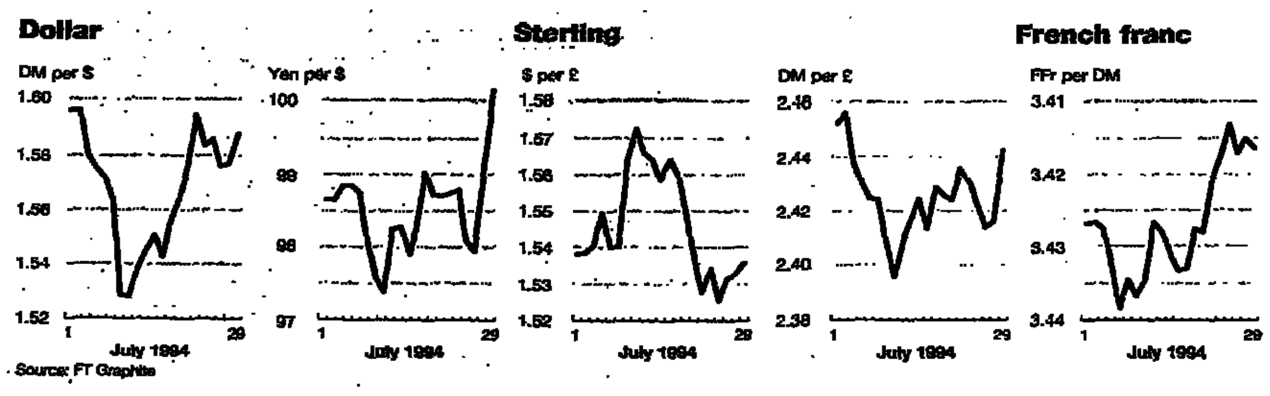
Analysts were split as to whether the Bank was trying to signal higher rates, or had made a mess of the Treasury bill tender by not realising the confusion it would create by accepting a 5.75 per cent rate.

Although interbank rates had climbed sharply during the days following the CBI survey, and a buoyant purchasing managers index yesterday, the Bank's hands were not tied. It could either have pulled the auction, as it has done in the past, or intervened on its own account to knock out the highest bids.

Traders in the futures market said the market went "absolutely ballistic". Trading conditions were "right up there with the ERM chaos" said one dealer.

Sterling rose on hopes of higher rates, but analysts warned that it was vulnerable to a heavy sell-off next week should the Bank disappoint the market by not tightening policy.

Not only would rates be lower than expected, but the Bank's credibility would be damaged. Similar confusion in February about the handling of a base rate rise led to heavy selling of sterling.



Source: FT Graphite

■ OTHER CURRENCIES

Jul 29	£	$
Hungary	156.739 - 156.984	102.030 - 102.130
Iran	2674.00 - 2677.00	1748.00 - 1750.00
Kuwait	0.4578 - 0.4588	0.2980 - 0.2985
Poland	35002.3 - 35095.1	22785.0 - 22835.0
Russia	3163.85 - 3170.00	2058.00 - 2063.00
U.A.E.	5.6846 - 5.6779	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jul 29		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.1697	+0.1445	609 - 784	17.2588	17.0210	17.1643	0.3	17.1525	0.4	-	-	114.4
Belgium	(BFr)	50.2452	+0.483	030 - 874	50.2890	49.8840	50.2552	-0.2	50.2702	-0.2	49.9702	0.5	116.3
Denmark	(DKr)	9.5958	+0.0879	922 - 995	9.6081	9.5371	9.6029	-0.9	9.618	-0.9	9.6629	-0.7	116.5
Finland	(FM)	8.0352	+0.063	260 - 444	8.0630	7.9670	-	-	-	-	-	-	82.4
France	(FFr)	8.3408	+0.0803	362 - 454	8.3462	8.2793	8.342	-0.2	8.3402	0.0	8.2958	0.5	109.8
Germany	(DM)	2.4413	+0.0218	403 - 423	2.4444	2.4258	2.4407	0.3	2.4382	0.5	2.4091	1.3	125.4
Greece	(Dr)	368.388	+2.582	920 - 856	369.223	365.858	-	-	-	-	-	-	-
Ireland	(I£)	1.0144	+0.0024	136 - 151	1.0179	1.0129	1.0148	-0.5	1.0157	-0.5	1.0192	-0.5	104.5
Italy	(L)	2442.70	+11.88	156 - 384	2445.74	2428.18	2448.8	-3.0	2460.65	-2.9	2509	-2.7	75.7
Luxembourg	(LFr)	50.2452	+0.483	030 - 874	50.2890	49.8840	50.2552	-0.2	50.2702	-0.2	49.9702	0.5	116.3
Netherlands	(Fl)	2.7378	+0.0223	364 - 392	2.7399	2.7231	2.737	0.4	2.7341	0.5	2.7042	1.2	120.2
Norway	(NKr)	10.6460	+0.0952	420 - 499	10.6912	10.5975	10.643	0.3	10.6535	-0.3	10.6395	0.1	96.4
Portugal	(Es)	248.076	+0.836	943 - 209	248.497	246.636	249.806	-8.4	252.986	-7.9	-	-	-
Spain	(Pta)	200.558	+1.302	397 - 719	200.922	199.588	201.018	-2.8	201.823	-2.5	204.203	-1.8	86.3
Sweden	(SKr)	11.9294	+0.0505	209 - 379	11.9526	11.8404	11.9509	-2.2	12.0014	-2.4	12.2219	-2.5	74.0
Switzerland	(SFr)	2.0675	+0.0194	662 - 687	2.0706	2.0573	2.0657	1.0	2.0618	1.1	2.0307	1.8	119.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.4
Ecu	-	1.2749	+0.0094	743 - 754	1.2777	1.2678	1.2756	-0.7	1.2764	-0.5	1.2782	-0.1	-
SDR†	-	0.949260	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5347	+0.0049	342 - 351	1.5400	1.5229	-	-	-	-	-	-	-
Brazil	(R)	1.4459	+0.0059	440 - 478	1.4495	1.4340	-	-	-	-	-	-	-
Canada	(C$)	2.1236	+0.0086	227 - 245	2.1318	2.1079	2.1239	-0.2	2.1256	-0.4	2.1445	-1.0	86.1
Mexico	(New Peso)	5.2250	+0.019	215 - 285	5.2359	5.1663	-	-	-	-	-	-	-
USA	($)	1.5366	+0.0047	362 - 369	1.5420	1.5247	1.5356	0.8	1.534	0.7	1.5259	0.7	63.6
Pacific/Middle East/Africa													
Australia	(A$)	2.0794	-0.0003	782 - 805	2.0903	2.0687	2.0793	0.0	2.0807	-0.3	2.0969	-0.9	-
Hong Kong	(HK$)	11.8705	+0.0369	670 - 739	11.9120	11.7808	11.8666	0.4	11.8655	0.2	11.8726	0.0	-
India	(Rs)	48.2016	+0.1494	868 - 164	48.3690	47.8340	-	-	-	-	-	-	-
Japan	(Y)	153.924	+2.24	850 - 997	154.000	152.200	153.514	3.2	152.659	3.3	148.054	3.8	189.4
Malaysia	(M$)	3.9859	+0.013	834 - 883	3.9995	3.9574	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5535	+0.0019	518 - 551	2.5636	2.5357	2.5574	-1.8	2.5652	-1.8	2.5875	-1.3	-
Philippines	(Peso)	40.3345	+0.1233	180 - 510	40.6150	39.8125	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7628	+0.0177	611 - 645	5.7828	5.7187	-	-	-	-	-	-	-
Singapore	(S$)	2.3220	+0.0097	207 - 233	2.3297	2.3061	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6507	+0.0069	471 - 543	5.6607	5.5979	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.1373	+0.1337	203 - 543	7.1555	6.9967	-	-	-	-	-	-	-
South Korea	(Won)	1233.39	+4.31	295 - 382	1237.61	1224.03	-	-	-	-	-	-	-
Taiwan	(T$)	40.8461	+0.1858	337 - 585	40.9879	40.5206	-	-	-	-	-	-	-
Thailand	(Bt)	38.4599	+0.1942	357 - 840	38.5650	38.1710	-	-	-	-	-	-	-

†SDR rate for Jul 28. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 29		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	11.1735	+0.06	710 - 760	11.2375	11.1825	11.1762	-0.3	11.1699	0.1	11.0918	0.7	104.1
Belgium	(BFr)	32.7000	+0.215	800 - 200	32.8800	32.5700	32.7175	-0.6	32.74	-0.5	32.75	-0.2	105.7
Denmark	(DKr)	6.2451	+0.0382	441 - 461	6.2693	6.2202	6.2521	-1.3	6.2641	-1.2	6.2926	-0.8	105.1
Finland	(FM)	5.2294	+0.0251	246 - 342	5.2577	5.2100	5.2329	-0.8	5.2374	-0.6	5.2744	-0.9	77.2
France	(FFr)	5.4283	+0.0368	265 - 300	5.4540	5.4055	5.4327	-1.0	5.4378	-0.7	5.4195	0.2	106.1
Germany	(D)	1.5888	+0.0093	885 - 891	1.5991	1.5820	1.5894	-0.5	1.5894	-0.2	1.5788	0.6	106.6
Greece	(Dr)	239.750	+0.95	500 - 000	241.100	239.500	240.1	-1.8	240.87	-1.9	244.25	-1.9	69.3
Ireland	(I£)	1.5149	+0.0011	141 - 156	1.5163	1.5010	1.5137	1.0	1.5114	0.9	1.5026	0.8	-
Italy	(L)	1589.73	+2.88	935 - 011	1600.50	1583.75	1594.78	-3.8	1604.18	-3.6	1644.73	-3.5	76.0
Luxembourg	(LFr)	32.7000	+0.215	800 - 200	32.8800	32.5700	32.7175	-0.6	32.74	-0.5	32.75	-0.2	105.7
Netherlands	(Fl)	1.7818	+0.0091	813 - 823	1.7930	1.7750	1.7824	-0.4	1.7813	0.1	1.7723	0.5	105.3
Norway	(NKr)	6.9285	+0.0409	275 - 295	6.9650	6.8963	6.932	-0.6	6.939	-0.6	6.898	0.5	96.5
Portugal	(Es)	161.450	+0.05	400 - 500	162.800	160.850	162.68	-9.1	164.72	-8.1	171.85	-6.4	94.7
Spain	(Pta)	130.525	+0.45	450 - 600	131.250	130.200	130.91	-3.5	131.575	-3.2	133.855	-2.6	81.3
Sweden	(SKr)	7.7638	+0.0092	600 - 675	7.8145	7.7347	7.7808	-2.6	7.8133	-2.6	7.9638	-2.6	79.2
Switzerland	(SFr)	1.3455	+0.0085	450 - 460	1.3543	1.3400	1.3451	0.4	1.3441	0.4	1.3306	1.1	105.8
UK	(£)	1.5366	+0.0047	362 - 369	1.5420	1.5247	1.5356	0.8	1.5343	0.6	1.5267	0.6	87.2
Ecu	-	1.2053	-0.0053	050 - 055	1.2085	1.1979	1.2038	1.4	1.2019	1.1	1.2126	-0.6	-
SDR†	-	1.46591	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9988	+0.0001	987 - 988	0.9988	0.9983	-	-	-	-	-	-	-
Brazil	(R)	0.9410	+0.001	400 - 420	0.9420	0.9395	-	-	-	-	-	-	-
Canada	(C$)	1.3821	+0.0014	818 - 823	1.3847	1.3815	1.3833	-1.0	1.3857	-1.0	1.4057	-1.7	82.5
Mexico	(New Peso)	3.4005	+0.002	990 - 020	3.4020	3.3970	3.4015	-0.4	3.4033	-0.3	3.4107	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.4
Pacific/Middle East/Africa													
Australia	(A$)	1.3533	-0.0043	528 - 537	1.3563	1.3521	1.3536	-0.2	1.3543	-0.3	1.3616	-0.6	87.3
Hong Kong	(HK$)	7.7254	+0.0004	249 - 259	7.7261	7.7249	7.7252	0.0	7.7259	0.0	7.7409	-0.2	-
India	(Rs)	31.3700	+0.0012	675 - 725	31.3775	31.3675	31.455	-3.3	31.6	-2.9	-	-	-
Japan	(Y)	100.175	+1.155	150 - 200	100.560	99.6500	99.975	2.4	99.515	2.6	97.01	3.2	151.1
Malaysia	(M$)	2.5940	+0.0005	930 - 950	2.5951	2.5930	2.5848	4.3	2.5735	3.2	2.647	-2.0	-
New Zealand	(NZ$)	1.6618	-0.0039	611 - 625	1.6853	1.6611	1.6627	-0.7	1.6646	-0.7	1.6699	-0.5	-
Philippines	(Peso)	26.2500	-	500 - 500	26.4500	26.0500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	+0.0001	502 - 507	3.7507	3.7502	3.7518	-0.4	3.7559	-0.6	3.7745	-0.6	-
Singapore	(S$)	1.5112	+0.0017	107 - 117	1.5140	1.5107	1.5099	1.1	1.506	0.9	1.5012	0.7	-
S Africa (Com.)	(R)	3.6775	-0.0068	760 - 790	3.7020	3.6515	3.693	-5.1	3.7213	-4.8	3.798	-3.3	-
S Africa (Fin.)	(R)	4.6450	+0.073	350 - 550	4.6550	4.6100	4.6787	-8.7	4.7375	-8.0	-	-	-
South Korea	(Won)	802.700	+0.35	600 - 800	802.800	802.400	805.7	-4.5	809.2	-3.2	827.7	-3.1	-
Taiwan	(T$)	26.5830	+0.0397	810 - 850	26.5910	26.5810	26.603	-0.9	26.643	-0.9	-	-	-
Thailand	(Bt)	25.0300	+0.05	200 - 400	25.0400	25.0200	25.1025	-3.5	25.23	-3.2	25.71	-2.7	-

†SDR rate for Jul 28. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 28. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 29		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.10	16.60	4.859	2.018	4861	5.448	21.18	493.6	399.1	23.73	4.114	1.990	4.226	3.057	306.3	2.536
Denmark	(DKr)	52.38	10	8.692	2.544	1.057	2545	2.853	11.09	258.5	209.0	12.42	2.154	1.042	2.213	1.601	160.4	1.328
France	(FFr)	60.24	11.50	10	2.927	1.216	2928	3.282	12.76	297.4	240.4	14.29	2.478	1.199	2.546	1.842	184.5	1.528
Germany	(DM)	20.58	3.931	3.417	1	0.415	1000	1.121	4.359	101.6	82.14	4.883	0.847	0.410	0.870	0.629	63.05	0.522
Ireland	(I£)	49.55	9.463	8.225	2.407	1	2408	2.698	10.49	244.6	197.7	11.76	2.038	0.986	2.094	1.515	151.8	1.256
Italy	(L)	2.057	0.393	0.342	0.100	0.042	100.	0.112	0.436	10.16	8.210	0.488	0.085	0.041	0.087	0.063	6.302	0.052
Netherlands	(Fl)	18.36	3.506	3.047	0.892	0.370	892.2	1	3.887	90.61	73.28	4.355	0.755	0.365	0.776	0.561	56.23	0.465
Norway	(NKr)	47.22	9.018	7.838	2.294	0.953	2295	2.572	10	233.1	188.4	11.20	1.943	0.940	1.995	1.444	144.6	1.197
Portugal	(Es)	20.26	3.869	3.363	0.984	0.409	984.7	1.104	4.290	100.	80.85	4.806	0.833	0.403	0.856	0.619	62.06	0.514
Spain	(Pta)	25.06	4.786	4.160	1.217	0.506	1218	1.365	5.307	123.7	100.	5.945	1.031	0.499	1.059	0.766	76.76	0.635
Sweden	(SKr)	42.15	8.049	6.997	2.048	0.851	2049	2.296	8.926	208.1	168.2	10	1.734	0.839	1.781	1.289	129.1	1.069
Switzerland	(SFr)	24.31	4.642	4.035	1.181	0.491	1181	1.324	5.148	120.0	97.00	5.767	1	0.484	1.027	0.743	74.45	0.616
UK	(£)	50.24	9.595	8.340	2.441	1.014	2442	2.737	10.64	248.0	200.5	11.92	2.067	1	2.123	1.536	153.9	1.274
Canada	(C$)	23.66	4.520	3.928	1.150	0.478	1150	1.289	5.012	116.8	94.44	5.615	0.974	0.471	1	0.724	72.49	0.600
US	($)	32.71	6.247	5.430	1.589	0.660	1590	1.782	6.927	161.5	130.5	7.760	1.346	0.651	1.382	1	100.2	0.829
Japan	(Y)	326.4	62.35	54.19	15.86	6.589	15867	17.78	69.14	1611	1303	77.45	13.43	6.498	13.79	9.981	1000.	8.278
Ecu		39.43	7.531	6.546	1.916	0.796	1917	2.148	8.352	194.7	157.4	9.356	1.622	0.785	1.666	1.206	120.8	1

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

EMS EUROPEAN CURRENCY UNIT RATES

Jul 29	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.15480	+0.00412	-1.91	4.36	-
Belgium	40.2123	39.5209	+0.0641	-1.72	4.16	13
Germany	1.94964	1.92064	+0.0043	-1.49	3.91	-
Ireland	0.808628	0.799721	-0.002343	-1.10	3.51	7
France	6.53883	6.55631	+0.00366	0.27	2.10	-2
Portugal	192.854	195.051	-0.893	1.14	1.22	-8
Denmark	7.43679	7.54162	+0.00717	1.41	0.95	-10
Spain	154.250	157.903	+0.022	2.37	0.00	-17
NON ERM MEMBERS						
Greece	264.513	290.113	+0.019	9.68	-6.66	-
Italy	1793.19	1920.87	-8.27	7.12	-4.44	-
UK	0.786749	0.785569	-0.006083	0.23	2.13	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6279	0.6294	+0.0015	0.6318	0.6252	50,101	83,257
Dec	0.6276	0.6300	+0.0013	0.6320	0.6257	949	4,546
Mar	-	0.6297	-	-	-	2	1,095

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.0020	1.0026	+0.0003	1.0070	0.9973	45,893	68,007
Dec	1.0059	1.0100	+0.0010	1.0130	1.0049	1,024	5,851
Mar	1.0150	1.0185	-	1.0185	1.0135	31	1,000

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
1.450	8.68	8.57	8.72	-	0.05	0.25
1.475	6.20	6.33	6.63	-	0.24	0.59
1.500	3.60	4.29	4.73	0.06	0.63	1.16
1.525	1.78	2.59	3.15	0.49	1.41	2.06
1.550	0.53	1.39	2.00	1.73	2.68	3.28
1.575	0.08	0.65	1.16	3.72	4.40	4.92

Previous day's vol., Calls 8,495 Puts 8,529 . Prev. day's open int., Calls 678,320 Puts 538,378

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.7414	0.7431	+0.0016	0.7468	0.7385	25,113	40,422
Dec	0.7427	0.7450	+0.0023	0.7485	0.7403	265	1,523
Mar	-	0.7459	-	-	-	6	18

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5256	1.5340	+0.0084	1.5430	1.5228	10,600	31,798
Dec	1.5270	1.5330	+0.0054	1.5380	1.5230	119	880
Mar	1.5236	1.5330	-	1.5350	1.5230	3	153

WORLD INTEREST RATES

MONEY RATES

July 29	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	5⅛	5¼	5⅜	6¼	7.40	4.50	-
week ago	5	5⅛	5¼	5⅜	6⅛	7.40	4.50	-
France	5⅛	5¼	5⅜	5¾	6	5.00	-	6.75
week ago	5⅛	5¼	5⅜	5¾	5⅞	5.10	-	6.75
Germany	5.75	4.97	4.97	4.98	5.08	6.00	4.50	4.85
week ago	4.90	4.97	4.85	4.85	4.98	6.00	4.50	4.85
Ireland	4⅞	5⅜	5⅝	6⅛	6½	-	-	6.25
week ago	5	5⅜	5⅝	6⅛	6½	-	-	6.25
Italy	8⅜	8¼	8½	8⅞	9⅝	-	7.00	7.95
week ago	8⅝	8¼	8⅜	8⅞	9¼	-	7.00	8.05
Netherlands	4.85	4.90	4.93	5.02	5.21	-	5.25	-
week ago	4.85	4.90	4.88	4.97	5.18	-	5.25	-
Switzerland	4⅜	4⅛	4⅜	4½	4⅝	6.625	3.50	-
week ago	4	4⅛	4⅛	4⅛	4⅝	6.625	3.50	-
US	4¼	4⅜	4¾	5⅛	5⅞	-	3.50	-
week ago	4⅜	4⅜	4¾	5⅜	5⅞	-	3.50	-
Japan	2⅛	2⅛	2⅛	2¼	2½	-	1.75	-
week ago	2	2⅛	2¼	2¼	2½	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	4½	4⅞	5⅜	5⅞	-	-	-
week ago	-	4½	4⅞	5¼	5¾	-	-	-
US Dollar CDs	-	4.33	4.64	5.04	5.60	-	-	-
week ago	-	4.33	4.66	4.99	5.53	-	-	-
SDR Linked Ds	-	3½	3⅝	3¾	4	-	-	-
week ago	-	3½	3⅝	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅛; 3 mths: 6; 6 mths: 6¼; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are, Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 29	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5 1/16 - 4 13/16	5 1/16 - 4 13/16	5 3/16 - 5 1/16	5 7/16 - 5 5/16	5 15/16 - 5 13/16	6 1/16 - 5 15/16
Danish Krone	5⅝ - 5¼	5⅝ - 5¼	5 11/16 - 5 9/16	6 - 5⅞	6 7/16 - 6 5/16	6 11/16 - 6⅝
D-Mark	5 1/16 - 4 13/16	5 - 4⅞	5 - 4⅞	5 - 4⅞	5 1/16 - 4 15/16	5⅛ - 5
Dutch Guilder	4 15/16 - 4 13/16	4 15/16 - 4 13/16	4 15/16 - 4 13/16	4 15/16 - 4 13/16	5 1/16 - 4 15/16	5¼ - 5⅛
French Franc	5⅜ - 5¼	5⅜ - 5¼	5 7/16 - 5 5/16	5 11/16 - 5 9/16	6¼ - 5⅞	6 - 5⅞
Portuguese Esc.	12⅛ - 11⅞	11⅝ - 11⅛	12¼ - 11¾	12 - 11¾	12¼ - 11¾	12 - 11¾
Spanish Peseta	8⅝ - 8⅜	8 3/16 - 8	8⅛ - 7 15/16	8⅛ - 7 15/16	8⅜ - 8¼	8½ - 8⅜
Sterling	4⅞ - 4¾	5 - 4⅞	5¼ - 5⅛	6 - 5⅞	6⅞ - 6⅝	6⅞ - 5¾
Swiss Franc	4¼ - 4	4¼ - 4	4¼ - 4⅛	4 5/16 - 4 3/16	4 7/16 - 4 5/16	4⅝ - 4½
Can. Dollar	5⅜ - 5⅛	5½ - 5¼	5½ - 5⅜	5 13/16 - 5 11/16	6½ - 6⅜	7½ - 7⅜
US Dollar	4 5/16 - 4 3/16	4 5/16 - 4 3/16	4½ - 4⅜	4 13/16 - 4 11/16	5 5/16 - 5 3/16	5⅞ - 5⅝
Italian Lira	9 - 7½	8¼ - 8⅛	8½ - 8⅜	8½ - 8⅜	8 13/16 - 8 11/16	9⅜ - 9¼
Yen	2⅛ - 2 1/16	2⅛ - 2 1/16	2⅛ - 2 1/16	2¼ - 2 3/16	2¼ - 2 3/16	2 13/16 - 2 11/16
Asian $Sing	3⅝ - 3½	3⅝ - 3½	4 5/16 - 4 3/16	4¼ - 4⅛	5 5/16 - 5 3/16	5 13/16 - 5 11/16

Short term rates are call for the US Dollar and Yen, others, two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.30	94.35	+0.01	94.39	94.35	11,271	48,358
Dec	94.19	94.22	+0.04	94.25	94.19	9,592	35,263
Mar	93.97	93.99	+0.03	94.02	93.97	6,947	31,407
Jun	93.76	93.79	+0.03	93.82	93.76	2,086	24,179

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		94.95	-0.20			0	3030
Dec		94.30	-0.27			0	1919
Mar	93.93	94.08	+0.29	93.93	93.93	20	1449
Jun	93.52	93.75	+0.28	93.52	93.52	10	350

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.11	95.13	+0.04	95.14	95.10	8752	170023
Dec	95.04	95.07	+0.05	95.09	95.02	23263	173856
Mar	94.84	94.84	+0.04	94.88	94.81	24393	157778
Jun	94.52	94.55	+0.05	94.58	94.51	9264	92162

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.14	91.08	+0.06	91.18	91.02	4341	30832
Dec	90.85	90.79	+0.09	90.87	90.72	2867	49019
Mar	90.48	90.45	+0.09	90.48	90.36	1079	13392
Jun	90.05	89.99	+0.09	90.05	89.95	1264	11507

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.63	95.64	+0.01	95.65	95.58	2799	23443
Dec	95.46	95.45	+0.01	95.47	95.40	1684	8241
Mar	95.26	95.23	-0.01	95.27	95.22	1096	10294
Jun	94.95	94.95	-0.02	94.99	94.95	202	2482

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.91	93.86	-0.03	93.94	93.81	1737	10861
Dec	93.70	93.67	-0.01	93.73	93.64	1051	8042
Mar	93.47	93.45	-	93.48	93.40	295	4527
Jun	93.20	93.15	-	93.20	93.10	167	1144

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.78	94.90	+0.13	94.92	94.76	78,483	426,300
Dec	94.08	94.23	+0.15	94.27	94.06	123,935	441,752
Mar	93.85	94.01	+0.17	94.04	93.81	69,257	331,987

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	95.21	95.35	+0.14	95.35	95.20	1,905	18,957
Dec	94.65	94.80	+0.15	94.81	94.64	531	8,934
Mar	94.48	94.53	+0.14	94.55	94.48	130	2,086

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Aug	PUTS Sep	PUTS Oct	PUTS Dec
9500	0.14	0.16	0.15	0.22	0.01	0.03	0.08	0.16
9525	0.01	0.03	0.05	0.10	0.13	0.15	0.23	0.28
9550	0	0.01	0.02	0.04	0.37	0.38	0.45	0.47

Est. vol. total, Calls 1489 Puts 1069. Previous day's open int., Calls 239089 Puts 180882

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9550	0.20	0.18	0.23	0.05	0.23	0.50
9575	0.07	0.08	0.14	0.16	0.38	0.66
9600	0.03	0.04	0.08	0.39	0.59	0.85

Est. vol. total, Calls 100 Puts 115. Previous day's open int., Calls 1205 Puts 1400

UK INTEREST RATES

LONDON MONEY RATES

Jul 29	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5¼ - 2	5⅛ - 4¾	5¼ - 5⅛	6 - 5¼	6⅛ - 5⅝	7 - 6⅞
Sterling CDs	-	-	5 3/16 - 5 1/16	5⅜ - 5¼	5 15/16 - 5⅞	6 9/16 - 6⅞
Treasury Bills	-	-	5 3/16 - 5	5 5/16 - 5⅛	-	-
Bank Bills	-	-	5⅛ - 5	5⅜ - 5¼	5⅝ - 5½	-
Local authority deps.	4 13/16 - 4 11/16	4 13/16 - 4 11/16	5⅛ - 5	5⅜ - 5¼	5 11/16 - 5 9/16	6 5/16 - 6 3/16
Discount Market deps	5 - 4	4 11/16 - 4 13/16	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.6029pc. ECGD fixed rate Stg. Export Finance. Make up day July 29, 1994. Agreed rate for period Aug 24, 1994 to Sep 25, 1994, Schemes II & III 6.60pc. Reference rate for period July 1, 1994 to July 29, 1994, Scheme IV & V 5.2460pc. Finance House Base Rate 5½pc from Aug 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.32	93.95	-0.33	94.35	93.84	75222	100309
Dec	93.60	93.27	-0.27	93.63	93.11	109500	152143
Mar	93.01	92.71	-0.22	93.01	92.50	17587	67906
Jun	92.42	92.28	-0.09	92.45	92.07	6890	53234

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9375	0.29	0.16	0.12	0.09	0.64	1.16
9400	0.16	0.09	0.07	0.21	0.82	1.36
9425	0.08	0.05	0.04	0.38	1.03	1.58

Est. vol. total, Calls 41290 Puts 30437. Previous day's open int., Calls 258579 Puts 232234

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of London Investment Banking Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

Gross | Net | Gross CAR | Int Cr

CAF Money Management Co Ltd
48 Pembury Road, Tonbridge TN9 2JD | 0732 770114
Calcash Deposit Fund | 4.76 | - | 4.87 | 3-Mth
Deposits Over £1 million | 4.88 | - | 4.99 | 3-Mth
Deposits Over £2 million | 4.98 | - | 5.08 | 3-Mth

The CCIF Charities Deposit Account
2 Fore Street, London EC2Y 5AQ | 071-588 1815
Deposit | 4.85 | - | 4.94 | 3-Mth

Cent. Bd. of Fin. of Church of England‡
2 Fore Street, London EC2Y 5AQ | 071-588 1815
Deposit | 4.80 | - | 4.90 | 3-Mth

Money Market Bank Accounts

Gross | Net | Gross CAR | Int Cr

Aitken Hume Bank plc
30 City Road, London EC1Y 2AY. | 071-638 6070
Treasury Account – for professional advisers
£25,000–£49,999 | 4.75 | 3.5625 | 4.85 | Mth
£50,000 or more | 5.00 | 3.75 | 5.12 | Mth
Money Ins Acc – for personal and business clients
Up to £9,999 | 3.25 | 2.4375 | 3.30 | Mth
£10,000 – £24,999 | 4.00 | 3.00 | 4.07 | Mth
£25,000 – £49,999 | 4.50 | 3.375 | 4.58 | Mth
£50,000 or more | 4.75 | 3.5625 | 4.85 | Mth
Money Market quotations – please telephone

Allied Trust Bank Ltd
25 Dowgate Hill, London, EC4R 2AT | 071-626 0879
FOMMA (£2,001+) | 6.54 | 4.90 | 6.54 | Yearly
TREMMA (£2,001+) | 5.85 | 4.39 | 5.85 | Yearly
TOMMA (£2,001+) | 5.64 | 4.23 | 5.64 | Yearly
OMMA (£2,001+) | 5.33 | 4.00 | 5.33 | Yearly
HICA (£2,001+) | 4.00 | 3.00 | 4.07 | Mth
HIBCA (£2001+) | 4.00 | 3.00 | 4.07 | Mth
Premier TESSA | 6.87 | 5.15 | 6.87 | Yearly

American Express Bank Ltd
Sussex House, Burgess Hill RH15 9AQ | 0444 239444
High Performance Cheque Account
£500–£999.99 | 1.00 | 0.75 | 1.00 | Mth
£1,000–£4,999.99 | 3.50 | 2.63 | 3.56 | Mth
£5,000–£9,999.99 | 3.75 | 2.81 | 3.82 | Mth
£10,000–£24,999.99 | 4.00 | 3.00 | 4.07 | Mth
£25,000–£49,999.99 | 4.25 | 3.19 | 4.33 | Mth
£50,000+ | 4.75 | 3.56 | 4.85 | Mth

Bank of Ireland High Interest Cheque Acc
36-40 High St, Slough SL1 1EL | 0753 516516
£10,000+ | 3.500 | 2.625 | 3.546 | Qtr
£2,000–£9,999 | 2.50 | 1.875 | 2.524 | Qtr

Bank of Scotland
38 Threadneedle St, EC2P 2EH | 071-601 6446
MM Chq Acc £2,500–£24,999 | 3.50 | 2.62 | 3.56 | Mth
£25,000–£249,999 | 3.75 | 2.81 | 3.82 | Mth
£250,000+ | 5.00 | 3.75 | 5.12 | Mth

Barclays Select
PO Box 120, Westwood Bs Pk, Coventry | 0800 400100
£2,000–£9,999 | 4.00 | 3.00 | 4.00 | Yearly
£10,000–£24,999 | 4.75 | 3.56 | 4.75 | Yearly
£25,000–£49,999 | 5.00 | 3.75 | 5.00 | Yearly
£50,000–£99,999 | 5.25 | 3.94 | 5.25 | Yearly
£100,000+ | 5.50 | 4.13 | 5.50 | Yearly

Barclays Prime Account H.I.C.A.
PO Box 125, Northampton | 0604 252891
£1,000–£2,499 | 2.00 | 1.50 | 2.02 | Qtr
£2,500–£9,999 | 2.25 | 1.69 | 2.27 | Qtr
£10,000–£24,999 | 2.75 | 2.06 | 2.78 | Qtr
£25,000+ | 3.35 | 2.51 | 3.39 | Qtr

Brown Shipley & Co Ltd
Founders Court, Lothbury, London EC2 | 071-606 9833
HICA | 4.00 | 3.00 | 4.08 | Qtr
Prof Demand A/c | 4.00 | 3.00 | 4.01 | Qtr

Caledonian Bank Plc
8 St Andrew Square, Edinburgh EH2 2PP | 031 556 8235
HICA | 4.75 | 3.5625 | - | Yearly

Cater Allen Ltd
20 Birchin Lane, London EC3V 9DJ | 071-623 2070
HICA | 3.50 | 2.63 | 3.56 | Mth
Fixed £50,000+ | 4.69 | - | 4.78 | Mth
Overnight £50,000+ | 4.37 | - | 4.46 | Mth

Charterhouse Bank Limited
1 Paternoster Row, EC4M 7DH. | 071-248 4000
£2,500–£19,999 | 3.75 | 2.81 | 3.80 | Mth
£20,000–£49,999 | 4.00 | 3.00 | 4.08 | Mth
£50,000–£99,999 | 4.25 | 3.19 | 4.31 | Mth
£100,000+ | 4.50 | 4.31 | 4.57 | Mth
$5,000–$49,999 | 2.25 | 1.69 | 2.27 | Mth
$50,000–$99,999 | 2.75 | 2.06 | 2.78 | Mth
$100,000–$199,999 | 3.00 | 2.25 | 3.04 | Mth
$200,000+ | 3.25 | 2.44 | 3.30 | Mth
Many other currencies are available – for rates please phone ext 2168

Clydesdale Bank Flexible Solution Acc
30 St Vincent Place, Glasgow G1 2HL | 041-248 7070
£10,000–£29,999 | 3.70 | 2.78 | 3.76 | Qtr
£30,000–£99,999 | 3.75 | 2.81 | 3.80 | Qtr
£100,000–£199,999 | 3.80 | 2.85 | 3.85 | Qtr

The Co-operative Bank
PO Box 300, Skelmersdale, Lancs | 0345 252000
TESSA | 5.28 | - | - | Yearly
Pathfinder – Card Based Current Account
All Balances | 4.90 | 3.68 | 5.01 | Mth
Investment 90 – 90 Day Notice Savings
£50,000+ | 5.29 | 3.94 | 5.32 | 6-Mth
£25,000–£49,999 | 4.50 | 3.38 | 4.55 | 6-Mth
£10,000–£24,999 | 4.00 | 3.00 | 4.04 | 6-Mth
£5,000–£9,999 | 3.00 | 2.25 | 3.02 | 6-Mth
Top Tier – Instant Access Savings
£50,000+ | 3.75 | 2.81 | 3.79 | 6-Mth
£10,000–£49,999 | 3.25 | 2.44 | 3.28 | 6-Mth
£5,000–£9,999 | 2.25 | 1.69 | 2.26 | 6-Mth
Business Deposit – Instant Access
£250,000+ | 4.08 | 3.05 | 4.10 | 6-Mth
£50,000–£249,999 | 3.00 | 2.25 | 3.02 | 6-Mth
£10,000–£49,999 | 2.75 | 2.06 | 2.77 | 6-Mth
£500–£9,999 | 2.31 | 1.73 | 2.32 | 6-Mth
30-90 day notice available Tel 0345 213213

Coutts & Co
440 Strand, London WC2R 0QS | 071-753 1000
Coutts Composite Account for clients money
15 Lombard Street, London EC3V 9AU | 071-623 1010
Rates negotiable up to – | 4.75 | - | - | -

Dao Heng Bank (London) PLC Premier Acc
10 Angel Court, London EC2R 7HP | 071-606 1616
£20,000+ | 5.00 | 3.75 | 5.09 | Qtr
£10,001–£20,000 | 4.25 | 3.19 | 4.32 | Qtr
£2,500–£10,000 | 3.75 | 2.81 | 3.80 | Qtr
Savings Account | 2.75 | 2.06 | 2.78 | Qtr

Davenham Tst Plc–Davenham 500 Acc
8 St John St, Manchester M3 4DU | 061-832 8484
£10,000+ – giltdex | 7.25 | 5.4375 | - | 6-Mth
£10,000+ 1 Year | 7.50 | 5.625 | 7.5 | Yearly
£5,000+ Fixed Rate for 2 Yrs | 8.00 | 6.00 | 7.7 | -

Fidelity Money Market Account
Fidelity Brokerage Services Ltd, Kingswood Place, Tadworth Surrey, KT20 6RB
£1–£999 | 0.50 | 0.375 | 0.50 | Qtr
£1,000–£9,999 | 3.50 | 2.625 | 3.53 | Qtr
£10,000–£24,999 | 4.00 | 3.00 | 4.08 | Qtr
£25,000–£99,999 | 4.50 | 3.375 | 4.58 | Qtr
£100,000+ | 4.70 | 3.525 | 4.78 | Qtr
£500,000+ Money Market Rates on request

Halifax Bldg Soc Asset Reserve Cheque Acc
Trinity Road, Halifax HX1 2RG | 0422 335333
Rates for personal customers
£50,000 and above | 5.85 | 4.39 | 5.96 | Qtr
£25,000 to £49,999 | 5.50 | 4.13 | 5.61 | Qtr
£10,000 to £24,999 | 5.15 | 3.86 | 5.25 | Qtr
£5,000 to £9,999 | 4.50 | 3.38 | 4.58 | Qtr
Rates for non-personal customers
£50,000 and above | 5.25 | 3.94 | 5.35 | Qtr
£25,000 to £49,999 | 4.75 | 3.56 | 4.84 | Qtr
£10,000 to £24,999 | 4.50 | 3.38 | 4.58 | Qtr
£5,000 to £9,999 | 4.25 | 3.19 | 4.32 | Qtr

Julian Hodge Bank Ltd
10 Windsor Place Cardiff CF1 3BX | 0222 220800
6 Mth Fixed Rate Deposit Acc | 6.00 | 4.50 | 6.09 | -
3 Mth Fixed Rate Deposit Acc | 5.75 | 4.31 | 5.88 | -
1 Mth Fixed Rate Deposit Acc | 5.75 | 4.31 | 5.90 | -

Humberclyde Finance Group
5 Bartley Way, Hook, Basingstoke | 0256 760000
£50,000+ | 5.25 | 3.94 | 5.35 | Qtr

Leopold Joseph & Sons Limited
29 Gresham Street, London EC2V 7EA | 071-588 2323
Treasury High Interest Cheque Account
£25,001–£100,000 | 4.50 | 3.375 | 4.60 | Qtr
£100,001 plus | 4.75 | 3.563 | 4.84 | Qtr

Kleinwort Benson Ltd
158 Kentish Town Rd, London NW5 2BT | 071-267 1586
H.I.C.A. (£2,500+) | 4.125 | 3.13 | 4.20 | Daily

Kleinwort Benson Private Bank
(a division of Kleinwort Benson Investment Management Ltd)
158 Kentish Town Road, London NW5 2BT | 071-267 1586
H.I.C.A. (£2,500+) | 4.125 | 3.13 | 4.20 | Daily

Lloyds Bank – Investment Account
71 Lombard St, London EC3P 3BS | 0272 433372
£100,000 and above | 5.25 | 3.94 | 5.25 | Yearly
£50,000+ | 5.15 | 3.86 | 5.15 | Yearly
£25,000+ | 4.95 | 3.71 | 4.95 | Yearly
£10,000+ | 4.75 | 3.56 | 4.75 | Yearly

Midland Bank plc
PO Box 2, Sheffield. | 071 705 6430
Exchequer Acc £5000+ | 3.75 | 2.81 | 3.75 | Yearly
£10,000+ | 4.50 | 3.37 | 4.50 | Yearly
£25,000+ | 5.00 | 3.75 | 5.00 | Yearly
£50,000+ | 5.50 | 4.12 | 5.50 | Yearly
TESSA | 5.75 | - | 5.75 | Yearly

Nationwide Bldg Soc – BusinessInvestor
Business High Interest Cheque Account
Pipers Way, Swindon L, SN38 1NW | 0800 335399
£2,000–£4,999 | 3.30 | 2.48 | 3.34 | Qtr
£5,000–£9,999 | 3.80 | 2.85 | 3.85 | Qtr
£10,000–£24,999 | 4.30 | 3.23 | 4.37 | Qtr
£25,000–£49,999 | 4.80 | 3.60 | 4.89 | Qtr
£50,000+ | 5.30 | 3.98 | 5.41 | Qtr

Portman Bldg Soc Prestige Cheque Account
Richmond Hill, Bournemouth, BH2 6EP | 0800 583653
£50,000+ | 5.50 | 4.13 | 5.50 | Yearly
£30,000–£49,999 | 5.00 | 3.75 | 5.00 | Yearly
£20,000–£29,999 | 4.50 | 3.38 | 4.50 | Yearly
£10,000–£19,999 | 3.50 | 2.63 | 3.50 | Yearly
£2,500–£9,999 | 2.50 | 1.88 | 2.50 | Yearly

Rea Brothers Limited, Bankers
Alderman's Walk, London EC2M 3XR | 071-623 1155
Professionals' Client Account | 4.75 | 3.56 | 4.85 | Mth
Professionals' Gross Account | 4.50 | 3.38 | 4.59 | Mth
£5,000+ Instant Access Chq Ac. | 4.25 | 3.19 | 4.32 | Qtr

Royal Bank of Scotland plc Premium Acc
42 St Andrew Sq, Edinburgh EH2 2YE | 031-523 6302
£50,000+ | 3.75 | 2.81 | 3.80 | Qtr
£25,000 – £49,999 | 3.50 | 2.63 | 3.55 | Qtr
£10,000 – £24,999 | 2.75 | 2.06 | 2.78 | Qtr
£5,000 – £9,999 | 2.00 | 1.50 | 2.02 | Qtr
£2,000 – £4,999 | 1.50 | 1.13 | 1.51 | Qtr

Save & Prosper/Robert Fleming
16-22 Western Rd, Romford RM1 3LB. | 0800 282101
Client Account | 3.75 | 2.81 | 3.82 | Daily
TESSA Fixed 1 Year | 4.88 | - | 5.00 | Mth
TESSA Variable | 4.41 | - | 4.50 | Mth

Tyndall Bank plc
29-33 Princess Victoria St, Bristol | 0272 744720
HIMA £5000+/Master Plus | 3.500 | 2.625 | 3.546 | Qtr
Demand/HIMA £10000+ | 3.625 | 2.719 | 3.676 | Qtr
HIMA £50000+ | 3.750 | 2.813 | 3.803 | Qtr
HIMA £100000+ | 3.875 | 2.906 | 3.932 | Qtr
Tyndall TESSA | 4.375 | - | 4.447 | Qtr

United Dominions Trust Ltd
PO Box 92, Herts, EN4 0DY | 081-447 2438
Capital Plus Cheque Account
£1,000+ | 4.75 | 3.56 | 4.84 | Qtr

United Trust Bank Ltd (formerly ULC)
1 Great Cumberland Pl, London W1H 7AL | 071-258 0094
£10,000–90 day notice | 6.75 | 5.06 | 6.92 | 3-Mth
£10,000–180 day notice | 7.50 | 5.63 | 7.64 | 6-Mth
£25,000 – 1 Year | 7.25 | 5.44 | - | Yearly

J. Henry Schroder Wagg & Co Ltd
120 Cheapside, London EC2V 6DS | 071-382 6000
Special Acc. | 4.00 | 3.00 | 4.06 | Mth
£10,000 and above | 4.25 | 3.19 | 4.32 | Mth

Western Trust High Interest Cheque Acc
The Moneycentre, Plymouth PL1 1SE | 0752 224141
£15,000+ | 4.75 | 3.56 | 4.84 | Qtr
£5,000–£14,999 | 4.50 | 3.38 | 4.58 | Qtr
£1,000–£4,999 | 4.25 | 3.19 | 4.32 | Qtr

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate' Int Cr: Frequency at which interest is credited to the account.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ɸ Bargains done the previous day.

British Funds, etc

Treasury 13¾% Stk 2000/03 - £125⅞ (27Jy94)
Exchequer 10½% Stk 2005 - £114⅞ (27Jy94)

Corporation and County Stocks

London County 2½% Cons Stk 1920(or after) - £26
Birmingham District Council 11½% Red Stk [illegible]

Commonwealth-Government

Foreign Stocks, Bonds, etc-(coupons payable in London)

[illegible]

Land Securities PLC 9⅜% Cnv Bds 2004 (Br£5000&50000) - £112½ (27Jy94)
Lasmo PLC 7¾% Cnv Bds 2005(Br£1000&10000) - £85 (25Jy94)
Leeds Permanent Building Society 7½% Nts 1997(Br£Var) - £98¼ɸ
Leeds Permanent Building Society Collared Flg Rte Nts 2003 (Br £ Var) - £94½
Lewis (John) PLC 10⅞% Bds 1998 (Br £10000&100000) - £105.58 (25Jy94)
Lloyds Bank PLC 7⅜% Subord Bds 2004(Br£Various) - £86¾
Lloyds Bank PLC 9½% Subord Bds 2009(Br£ Vars) - £98⅛ (25Jy94)
Lloyds Bank PLC Subord Flg Rte Nts(Br£ Vars) - £100.15 100½ (22Jy94)
London Electricity PLC 8% Bds 2003 (Br £ Var) - £94⅛ (27Jy94)
MEPC PLC 10¼% Bds 2003(Br£1000&10000) - £102⅛ ¼ ¼ (26Jy94)
Municipality Finance Ld 9½% Gtd Nts 1997 (Br £Var) - £104¼ (26Jy94)

National Grid Co PLC 7⅜% Bds 1998 (Br £ Var) - £97$\frac{11}{32}$ (26Jy94)
National & Provincial Bldg Society 8¾% Nts 1998 (Br £ Var) - £99 ¼ (27Jy94)
National Westminster Bank PLC 11½% Und-SubNts £1000(Cnv to Prf)Reg - £107¼ ¼ (27Jy94)
National Westminster Bank PLC 11½% Und-SubNts £1000(Cnv to Prf)Br - £108½ (22Jy94)
Nationwide Building Society 8⅝% Subord Nts 2018 (Br £ Var) - £87⅞
New Zealand 9⅞% Bds 1995(Br£1000&10000) - £101¾ (25Jy94)

[illegible]

Sterling Issues by Overseas Borrowers

[illegible]

Listed Companies(excluding Investment Trusts)

[illegible]

Allied London Properties PLC 10% Cum Prf £1 - 108 (22Jy94)
Allied-Lyons PLC ADR (1:1) - $8¾ (27Jy94)
Allied-Lyons PLC 7½% Cum Prf £1 - 78 (25Jy94)
Allied-Lyons PLC 11¼% Deb Stk 2009 - £120¾ 1⅞ .6 ⅝ (27Jy94)
Allied-Lyons PLC 5¼% Uns Ln Stk - £61 (25Jy94)
Allied-Lyons PLC 6¾% Uns Ln Stk - £67¼ (27Jy94)
Allied-Lyons PLC 7¾% Uns Ln Stk 93/98 - £94½
Allied-Lyons Financial Services PLC6¾% GtdCnvSubordBds2008 RegMult£1000 - £109¼ (26Jy94)
Alvis PLC 5.5% Cnv Cum Non-Vtg Red Prf £1 - 73 3 4¼
American Brands Inc Shs of Com Stk $3.125 - $34½
Ameritech Corp Shs of Com Stk $1 - $39⅝ (26Jy94)

[illegible]

Investment Trusts

[illegible]

USM Appendix

[illegible]

Rule 4.2(a)

[illegible]

RULE 2.1 (a)(iv)

Bargains marked in securities (not falling within Rule 2.1 (a)(i)) where the principal market is outside the UK and Republic of Ireland.

Allstate Expl A$1.6169(28.7)
Bank East Asia 274(27.7)
Batu Kawan 135ɸ(28.7)
Beach Petroleum A$0.1512(28.7)
Boise Cascade $24.875ɸ(26.7)
City Developments S$8.542225ɸ(26.7)
Cape Range Oil 26(28.7)
Centaur Mining A$0.587338(28.7)
Cudgen RZ A$3.968(22.7)
Forest Labs £27½,$42.55(25.7)
Futuris Corp A$1.3321(22.7)
Malaysia Airline Sys RM6.625(28.7)
Murray & Roberts Hldgs F289.65ɸ,89.40(26.7)
Nat Fuel Gas Co $30⅞(22.7)
Oil Search 38,9(27.7)
Palabora Mining £12⅛(25.7)
Robinson & Co S$6.450074(27.7)
Sapphire Mines A$0.1186ɸ(25.7)
Singapore Land S$7.3058(28.7)
Vallant Cons A$0.454(28.7)

By Permission of the Stock Exchange Council

FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 Indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited.

The FT-SE Actuaries All-Share Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices, the FT-SE Actuaries Industry Baskets and the FT-SE Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

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LONDON STOCK EXCHANGE

MARKET REPORT

Sudden interest rate fear upsets confidence

By Terry Byland, UK Stock Market Editor

The stock market had the wind taken out of its sails yesterday by the turmoil in gilt-edged stocks which culminated in warning cries that the authorities planned a "pre-emptive strike" by raising base rates without waiting for inflationary pressures to force the decision on them.

The FT-SE 100 Index was down by 26.2 in late afternoon after the authorities had apparently condoned a rise in UK Treasury bill rates to 5.75 per cent from the existing 4.99 per cent rate. Such a move has traditionally been the warning for a base rate hike, but uncertainty still prevailed when markets closed in London. The Treasury bill move was not the only factor disturbing interest rate assumptions yesterday. But London was helped at the close by firmness in US Federal bonds after favourable news on US gross domestic product growth in the second quarter.

The final reading put the FT-SE 100 Index at 3,082.6 for a net loss on the day of 13.3 points. Trading volume was not particularly heavy and there were no signs of undue selling. Most strategists continued to doubt whether the authorities intend to raise base rates in the short term, but pointed to Wednesday's money market repurchase operation as the nearest indication of policy.

By the end of the session, short-dated government bonds, the most closely linked to base rate expectations, had fallen by nearly half a point. Longer dates, however, ended an erratic day with gains of around ¾ as investors took the view that an early increase in base rates would take the steam out of inflationary pressures. The late advance in long dated gilts proved no help to the equity sector, although a gain of 23 Dow points in early trading on Wall Street did give some relief to a somewhat confused London stock market.

Equities opened formly, helped by the confident trend in utility stocks following the Ofwat price review of the water industry companies and by Thursday's half time results from ICI.

Encouraged also by initial gains in stock index futures, the Footsie advanced by more than 11 points. The banking sector turned easier, however, as interim results from Lloyds Bank failed to please the analysts.

But gains were soon reversed when by what appeared to be an unfortunate leak of the latest British Purchasing Managers' Index, showing it at a record high of 62.2 per cent in July; the index itself was then published, a day earlier than expected.

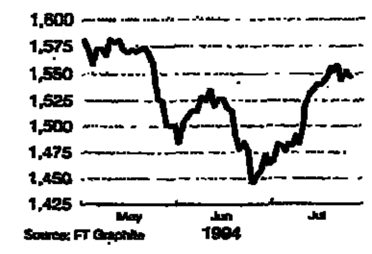
This whiff of inflation quickly hit bond prices and equities soon followed them downwards, with futures markets, as usual, setting the trend. From then on, the stock market remained in thrall to gilts and to developments on the interest rate front.

A further cause for worry came when the market remembered that the Bank of England Quarterly Bulletin is due on Wednesday and may well bring stronger comments on inflation prospects from the Bank.

At last night's close, the FT-SE 100 Index was about one per cent down over the week, with yesterday's fall contributing substantially to the week's loss of 32 points. Most equity strategists, while accepting that base rates are likely to move up before the end of the year, had been doubtful that any early move was on the cards; however, yesterday's developments may inspire some hurried rethinking of opinions.

Equity trading volume has remained good, with retail or customer business worth £1.39bn on Thursday. Seaq turnover reached 507.8m shares yesterday, compared with 657m in the previous session. The FT-SE Mid 250 Index eased 2.6 to 3,640.2 yesterday, with second line stocks providing 56 per cent of total market volume.

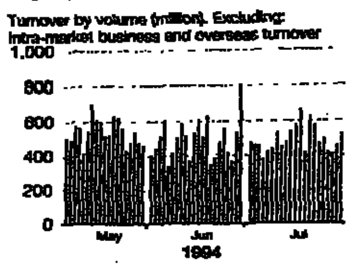
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios		
FT-SE Mid 250	3640.2	-2.60
FT-SE-A 350	1557.7	-5.4
FT-SE-A All-Share	1545.74	-4.86
FT-SE-A All-Share yield	3.83	(3.83)
FT Ordinary Index	2389.9	-9.2
FT-SE-A Non Fins p/e	19.41	(19.54)
FT-SE 100 Fut Sep	3095.0	-8.0
10 yr Gilt yield	8.62	(8.66)
Long gilt/equity yld ratio:	2.27	(2.28)

FT-SE 100 Index	
Closing index for Jul 29	3082.6
Change over week	-32.1
Jul 28	3095.9
Jul 27	3082.3
Jul 26	3117.2
Jul 25	3106.1
High*	3132.8
Low*	3069.7

*Intra-day high and low for week

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	6,800	57½	-½
Abbey National†	1,100	397	-9
Albert Fisher	1,400	47	+2
Allied-Lyons†	686	580	-1
Anglian Water	2,900	550	+1
Argos	225	358	
Argyll Group†	2,300	267	-2½
Arjo Wiggins†	709	287	
Assoc. Brit. Foods†	475	573	
Assoc. Brit. Ports	149	263	+2
BAA†	1,800	953	-20
BAT Inds.†	5,200	441½	-½
BET	1,600	114	-1
BICC	956	402	+5½
BOC†	980	747	
BP†	14,000	412½	+4
BPB Inds.	1,000	332	+2
BT†	5,100	369	-6½
BT (P/Pd)	2,000	250	-6½
BTR†	6,400	368½	-1½
Bank of Scotland†	725	185	+1
Barclays†	2,900	554	+9
Bass†	840	553	+1
Blue Circle†	1,900	313	-4
Booker	45	412	-2
Boots†	1,200	528	+2
Bowater†	851	437	-2
Brit. Aerospace†	701	496	+3
British Airways†	2,600	421½	-2½
British Gas†	4,200	268½	-7½
British Land	1,000	424	-3
British Steel†	2,600	156½	+½
Bunzl	43	180	+1
Burmah Castrol†	1,100	855	-8
Burton	1,300	56½	+½
Cable & Wire†	3,000	429½	+1½
Cadbury Schweppes†	2,300	432	-6
Calor Group	18	290	
Caradon†	496	306	-6
Carlton Comms.†	432	880	-3
Coats Viyella†	1,200	211	-4
Comm. Union†	1,300	550	+3
Cookson	740	282	+1
Courtaulds†	310	528	-2
Dalgety	210	441	+1
De La Rue†	401	988	-12
Dixons	2,500	183	-1
Eastern Elect.	834	646	-13½
East Midland Elect.	962	626	-19
Eng China Clays	727	378	+4
Enterprise Oil†	2,200	428	+3
Eurotunnel Units	862	314	+8
FKI	1,000	186	+3
Fisons	194	135	-2
Foreign & Col. I.T.	903	139½	
Forte†	3,300	231½	-½
Gen. Accident†	1,000	608	+8
General Elect.†	4,600	281	-½
Glaxo†	3,800	571½	-½
Glynwed	1,100	374	
Granada†	3,200	526	-5½
Grand Met.†	3,100	412	
GUS†	1,400	576	-2
GRE†	1,200	188	-1
GKN†	1,900	620	+5
Guinness†	1,900	443½	+½
HSBC (75p shs)†	2,800	774	-2½
Hammerson	367	351	-2
Hanson†	6,800	258¼	+¼
Harrisons Crosfield	814	172	
Hays	714	297	-3
Hillsdown	1,600	170	+3
IMI	47	328½	+½
ICI†	2,800	834½	-2½
Inchcape†	4,300	448	-7
Johnson Matthey	84	581	+3
Kingfisher†	868	503	-6
Kwik Save	96	564	
Ladbroke†	2,500	169	-5
Land Securities†	296	659	-4
Laporte	138	772	
Legal & General†	533	454	-1
Lloyds Abbey	1,000	364	+4
Lloyds Bank†	4,500	544	-18
LASMO	5,000	147	+5
London Elect.	588	599	-3

	Vol. 000s	Closing price	Day's change
Lonrho	2,500	135½	+2
Lucas	336	194	+1
MEPC†	908	455	-6
MFI	1,700	144½	-1½
Manweb	936	718	-7
Marks & Spencer†	3,900	421½	-5½
Midlands Elect.	880	658	-6
Morrison (Wm.)	2,100	139½	+6½
NFC†	831	197	-½
NatWest Bank†	6,900	448	-8
National Power†	1,100	447	-4
Next	417	258	-2
North West Water†	2,400	554	+1
Northern Elect.	339	887	-13
Northern Foods†	2,200	205	+2
Norweb	652	674	-4
Pearson†	1,200	654	-1
P & O†	2,400	657½	-15½
Pilkington	2,100	192	-1
PowerGen†	734	510	-6
Prudential†	1,400	306	-3
RMC†	218	952	-7
RTZ†	2,600	862½	+10½
Racal	1,400	257	
Rank Org.†	1,700	411	+3
Reckitt & Colman†	1,700	589	+5
Redland†	1,400	541	+4
Reed Intl.†	589	782	-6
Rentokil†	877	237	-2½
Reuters†	4,200	465½	-½
Rolls Royce†	1,400	192½	+4
Ryl Bk Scotland†	3,400	385	-10
Royal Insurance†	2,300	250	-2
Sainsbury†	1,600	407½	-3½
Schroders	30	1216	+6
Scottish & New.†	915	527	-1
Scot. Hydro-Elect.	822	389	-2
Scottish Power†	2,000	373½	-3½
Sears†	345	115	-1
Sedgwick	481	167	-1
Seeboard	384	355	+3
Severn Trent†	3,900	556	-16
Shell Transport†	5,400	730	-1
Siebe†	1,100	588	-3
Slough Ests	467	263	
Smith (W.H.) A	287	459	-6
Smith & Nephew†	1,600	162½	+½
SmKl Beecham†	1,300	408½	+½
SmKl Beecham Uts.†	605	368½	+½
Smiths Inds.	1,300	472	+8
Southern Elect.†	1,200	646	-9
South Wales Elect.	312	675	+1
South West Water	621	515½	-1½
South West. Elect.	422	642	-14
Southern Water	1,300	589	+1
Standard Chartd.†	3,500	264	+6
Storehouse	3,300	223½	-½
Sun Alliance†	2,300	331	
T&N	786	252½	+6½
TI Group†	230	384	+1
TSB†	1,500	207	-½
Tarmac	3,300	148	-4
Tate & Lyle	2,100	427½	+7½
Taylor Woodrow	1,500	144	-1
Tesco†	4,700	231½	-1½
Thames Water†	2,800	514	-1½
Thorn EMI†	1,000	1030	-10
Tomkins†	1,900	221	-8
Trafalgar House	2,500	77½	+2½
Unigate	315	381	+2
Unilever†	1,000	1010	-1
United Biscuits†	592	325½	-½
Utd. Newspapers	664	539	-3
Vodafone†	4,400	184½	-2
Warburg (SG)†	369	738	+3
Wellcome†	2,200	639	+8
Welsh Water	847	621	-17
Wessex Water	628	651	+7
Whitbread†	333	529	-5
Williams Hldgs.†	515	382	-5
Willis Corroon	179	138	+1
Wimpey	2,100	155	-5
Wolseley†	603	825	+1
Yorkshire Elect.	1,200	627	+1
Yorkshire Water	1,600	543	-13
Zeneca†	870	743½	-5½

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures closed above the day's low point after a volatile session dominated by worries over interest rates and weakness in the fixed interest markets, *writes Joel Kibazo.*

The September futures contract on the FT-SE 100 closed at 3,095, at a 13 point premium to cash, but 8 below its previous finish. Volume was a healthy 20,728 lots. It opened at 3,112 and during the session, it touched a high of 3,124 and a low of 3,064.

In traded options, stock options made a significant contribution to the day's total of 42,473 lots.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3112.0	3095.0	-8.0	3124.0	3064.0	20728	53697
Dec	3085.0	3105.5	-7.5	3085.0	3082.0	152	3663

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3665.0	3645.0	+5.0	3665.0	3650.0	35	4499

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		3645.0					636

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3082) £10 per full index point

[illegible]

Calls 4,236 Puts 6,134

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2925		2975		3025		3075		3125		3175		3225		3275	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Aug	[illegible]															
Sep	191½	23	152½	33½	117½	48	86	66	60	90	39½	119	24½	154	14½	193
Oct	208½	43			143	76			91½	123½			55	185½		
Dec	236½	59½			178½	91½			117½	138½			76½	193½		
Mar†	274	84½			211½	119			158½	162½			116	216½		

Calls 1,027 Puts 3,619 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3500	3550	3600		3650		3700		3750	3800
Jul			94	38	66	59½	44	87		

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT-SE-A INDICES - LEADERS & LAGGARDS

Percentage changes since December 31 1993 based on Friday July 29 1994

Engineering, Vehicles	+13.38	FT-SE Mid 250	-3.99	Food Manufacturers	-9.92
Printing, Paper & Pckg	+8.59	Health Care	-5.38	Water	-10.10
Oil Exploration & Prod	+7.68	Support Services	-6.05	Consumer Goods	-11.21
Chemicals	+6.76	Services	-6.17	FT Gold Mines	-11.26
Oil, Integrated	+6.53	Non-Financials	-6.31	Property	-12.08
Engineering	+6.48	Investment Trusts	-7.04	Pharmaceuticals	-12.16
Mineral Extraction	+6.44	FT-SE-A All-Share	-8.11	Retailers, General	-12.40
Extractive Industries	+5.33	Building Matls. & Merch.	-8.42	Life Assurance	-12.80
Leisure & Hotels	+2.44	Electronic & Elect Equip.	-8.53	Household Goods	-14.79
Gen Manufacturers	-0.46	FT-SE-A 350	-8.53	Utilities	-15.04
Retailers, Food	-0.79	Electricity	-8.98	Merchant Banks	-16.30
FT-SE SmallCap ex I.T.	-0.86	Textiles & Apparel	-9.23	Financials	-16.71
FT-SE Smallcap	-1.80	Building & Construction	-9.26	Insurance	-17.95
Diversified Industries	-1.83	Transport	-9.27	Telecommunications	-18.64
Media	-2.30	Distributors	-9.50	Banks	-19.29
Breweries	-2.59	FT-SE 100	-9.82	Tobacco	-20.24
FT-SE Mid 250 ex I.T.	-3.60	Spirits, Wines & Ciders	-9.87	Gas Distribution	-20.94

FT - SE Actuaries Share Indices — The UK Series

	Jul 29	Day's chge%	Jul 28	Jul 27	Jul 26	Year ago	Div. yld%	Earn. yld%	P/E ratio	Xd adj. ytd	Total Return	1994 High		1994 Low		Since Compilation High		Since Compilation Low	
FT-SE 100	3082.6	-0.4	3095.9	3082.3	3117.2	2926.5	4.66	6.84	17.24	76.15	1158.65	3520.3	2/2	2876.6	24/6	3520.3	2/2/94	986.9	23/7/84
FT-SE Mid 250	3640.2	-0.1	3642.8	3632.9	3641.1	3306.5	3.39	5.69	21.17	81.01	1348.76	4152.8	3/2	3363.4	27/6	4152.8	3/2/94	1379.4	21/1/86
FT-SE Mid 250 ex Inv Trusts	3641.5	-0.1	3645.1	3635.1	3642.9	3319.2	3.54	6.16	19.70	84.52	1348.10	4160.7	19/1	3362.4	27/6	4160.7	19/1/94	1378.3	21/1/86
FT-SE-A 350	1557.7	-0.3	1563.1	1556.9	1571.2	1464.0	3.90	6.57	18.02	37.60	1196.26	1778.3	2/2	1451.3	24/6	1778.3	2/2/94	664.5	14/1/86
FT-SE SmallCap	1834.57	+0.1	1832.78	1828.50	1829.77	1653.94	3.07	4.23	31.05	32.86	1414.83	2094.98	4/2	1776.51	6/7	2094.98	4/2/94	1363.79	31/12/92
FT-SE SmallCap ex Inv Trusts	1802.02	+0.1	1800.79	1797.54	1797.84	1646.78	3.25	4.67	26.69	33.91	1393.22	2060.72	4/2	1752.58	12/7	2060.72	4/2/94	1363.79	31/12/92
FT-SE-A ALL-SHARE	1545.74	-0.3	1550.60	1544.66	1557.85	1448.76	3.84	6.40	18.58	36.66	1207.52	1784.11	2/2	1445.85	24/6	1784.11	2/2/94	61.92	13/12/74

■ FT-SE Actuaries All-Share

	Jul 29	Day's chge%	Jul 28	Jul 27	Jul 26	Year ago	Div. yld%	Earn. yld%	P/E ratio	Xd adj. ytd	Total Return	1994 High		1994 Low		Since Compilation High		Since Compilation Low	
10 MINERAL EXTRACTION(19)	2726.70	+0.5	2713.82	2708.96	2725.20	2250.00	3.33	4.29	28.27	47.41	1084.36	2748.31	25/7	2439.98	31/3	2748.31	25/7/94	988.20	19/2/86
12 Extractive Industries(4)	3913.91	+1.2	3866.32	3831.57	3870.62	3154.60	3.25	5.14	24.34	54.24	1068.08	4107.55	2/2	3656.88	12/7	4107.55	2/2/94	1000.00	31/12/85
15 Oil, Integrated(3)	2679.08	+0.3	2670.61	2670.69	2685.78	2189.60	3.44	4.42	28.19	50.54	1087.18	2707.41	25/7	2348.96	30/3	2707.41	25/7/94	982.30	20/2/86
16 Oil Exploration & Prod(11)	1988.89	+1.4	1961.65	1953.04	1953.77	1618.00	2.43	1.23	80.00†	20.34	1140.36	2099.43	27/4	1784.40	31/3	3944.18	8/8/90	858.39	28/7/86
[illegible]																			
79 Property(41)	1578.18	-0.4	1583.89	1586.72	1601.34	1483.10	3.82	3.87	32.29	36.14	899.52	1888.66	4/2	1453.40	27/6	2132.40	5/9/89	718.40	16/9/92
80 INVESTMENT TRUSTS(123)	2818.14	+0.2	2810.57	2804.34	2810.51	2446.90	2.14	1.85	54.73	38.70	942.55	3184.31	2/2	2818.98	27/6	3184.31	2/2/94	977.20	14/1/86
89 FT-SE-A ALL-SHARE(883)	1545.74	-0.3	1550.60	1544.66	1557.85	1448.76	3.84	6.40	18.58	36.66	1207.52	1784.11	2/2	1445.85	24/6	1784.11	2/2/94	61.92	13/12/74

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3105.2	3104.2	3100.0	3094.3	3095.6	3096.7	3104.8	3080.2	3082.3	3107.2	3069.7
FT-SE Mid 250	3648.9	3648.4	3647.7	3646.4	3648.9	3650.4	3653.5	3645.8	3637.9	3653.7	3637.0
FT-SE-A 350	1567.3	1566.9	1565.2	1562.9	1563.6	1564.2	1567.8	1557.3	1557.4	1568.2	1552.7

Time of FT-SE 100 High: 8.26am Low: 3.20pm

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1156.5	1155.2	1154.4	1152.1	1152.1	1151.4	1152.0	1150.4	1139.6	1139.6	1155.0	-15.4
Pharmaceuticls	2857.0	2853.8	2849.4	2848.7	2847.6	2847.3	2858.4	2841.6	2841.7	2838.1	2838.3	-0.2
Water	1916.0	1911.2	1911.5	1901.0	1893.7	1900.1	1901.7	1888.7	1868.5	1872.1	1886.6	-14.5
Banks	2830.5	2830.9	2829.1	2821.3	2822.7	2825.9	2835.7	2807.4	2824.9	2826.9	2846.4	-21.5

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
FT-SE Total Return Indices	31/12/92	1000.00	FT-SE Mid 250 ex Inv Trusts	31/12/85	1412.60
FT-SE SmallCap	31/12/92	1363.79	FT-SE-A 350	31/12/85	682.94
FT-SE SmallCap ex Inv Trs	31/12/92	1363.79	FT-SE 100	31/12/83	1000.00
FT-SE Mid 250	31/12/85	1412.60	Electricity	31/12/90	1000.00
Water	29/12/89	1000.00	UK Gilts Indices	31/12/75	100.00
Non-Financials	10/4/62	100.00	Index-Linked	30/4/82	100.00
FT-SE-A All-Share	10/4/62	100.00	Debs and Loans	31/12/77	100.00
All Other	31/12/85	1000.00			

The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-SE Actuaries All-Share Index and the FT-SE SmallCap Index are compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1994. © The Financial Times Limited 1994. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. Auditor The WM Company. † Sector P/E ratios greater than 80 are not shown. $ Values are negative.

Lloyds fails to please

After reporting a 21 per cent rise in profits, Lloyds Bank saw its share price fall sharply as the market reacted sourly to the underlying factors.

The high street bank's figures came in at £605m against £498m last time and a dividend of 7.5p. The consensus forecast was for a profit of around £610m and a dividend of 7.6p to 7.8p but the real concern was over underlying profits.

Analyst Mr Martin Hughes of Credit Lyonnais Laing who maintains an unfavourable view of Lloyds said; "This is the third half year of reporting that Lloyds have had nothing to say in terms of growth." There was also disappointment that the bank did not say more over progress on the bid for the Cheltenham & Gloucester building society.

A number of City analysts are understood to be preparing swingeing forecast downgrades for the full year and for 1995 and could lop 15 per cent off their estimates. The current year consensus of £1,340m this year is expected to come down to £1,100m while next year's forecasts are seen to be moving down from around £1,440m to about £1,200m.

The share price was immediately marked lower to stave off a wall of selling. Although turnover reached 4.5m by the close dealers expected the move away from Lloyds to continue for some time. They said a number of investors were sitting on their holdings until the shares recovered slightly.

The shares ended the day 18 lower at 544p with both Credit Lyonnais Laing and Smith New Court recommending a switch into Barclays. The latter which reports on August 9, saw its shares climb 9 to 554p.

Food sector active

The turbulence surrounding the dramatic bid developments continued to reverberate through the food sector, although turnover was well below Thursday's hectic session. The focus of attention remained on whether Tesco would return to the fray to counter J Sainsbury's £210m bid for William Low. The Scottish retailer, which had climbed 60p in the first four sessions of the week, was steadier yesterday closing a penny down at 323p, still well above Sainsbury's 305p cash offer. However, turnover, below recent levels which had peaked on Thursday at 11m shares, totalled just over 500,000 yesterday.

However, the support for the price, continues to point to the market's expectation that Tesco will come back with a higher offer. Analysts suggested a counter-offer of around 325p a share – although there were also a few siren voices hinting of a Tesco withdrawal. Shares in Tesco, which began the saga two weeks ago with an agreed £154m for Low, slipped 1¼ to 231½p. Sainsbury also weakened, closing 3½ to 407½p.

The spotlight also fell on William Morrison Supermarkets, the shares being bid up 6½ to 139½p with turnover a sprightly 2.1m. But food specialists were highly sceptical of the speculation, in view of the large, albeit minority, shareholding by the Morrison family.

RTZ wanted

The world's biggest mining group, RTZ, jumped 10½ to 862½p on news of an expansion at its Escondida mine in Chile.

RTZ has a 30 per cent stake in the mine which is expected to become the world's single biggest copper producer in two years time. Last year, the mine contributed £36m to RTZ's net earnings of £373m but some analysts believe the impact will be less marked than initial figures suggest. S.G. Warburg argues that it will only increase earnings per share by four per cent and not until the end of the decade.

Pharmaceuticals group Wellcome jumped 8 to 639p as the US Food and Drug Administration's advisory committee recommended approval of its controversial anti-AIDS treatment for reducing the risk of transferring the HIV virus from mothers to babies. Also, Paribas issued a buy note arguing that the recent figures highlighted the company's solid performance in a difficult environment and the shares were trading at an unjustifiably high discount to the market and sector.

Profit-takers were out in force in the water sector reversing several of the sharp gains seen following the issuing of the Ofwat report on Thursday. But other stocks remained firm amid a flurry of broker recommendations in response to what was considered a highly favourable document from the industry regulator.

Among the fallers, Welsh tumbled 17 to 621p, Yorkshire 13 to 543p, and Severn Trent 16 to 556p. After the market closed the latter group's agm heard that sales and profits for the first quarter to June were running ahead of levels for the same period a year previously. Northumbrian was the best performer, adding 8 to 635p.

Motor dealer Lex Service, which reported disappointing figures earlier this week, languished 13 to 424p.

Electricals group Delta lost 6 to 504p on fears of stiff competition in one of its key markets following Thursday's £96.1m recommended offer by Hanson for Scholes, a rival to Delta.

Transport and property group P&O tumbled 15½ to 657½p following a press report of a formal investigation by US authorities into whether the Trans-Atlantic Agreement (on routes and rates) has engaged in anti-competitive practices. P&O operates container ships on the route. However, one analyst said: "There is little to worry about since profits from those operations are tiny."

Channel tunnel operator Eurotunnel moved 8 ahead to 314p, after reports that a joint French and British government committee awarded it a provisional licence to operate a limited passenger service.

Profit-taking in BAA left shares in the UK airports group 20 lower at 953p, after an £11m jump in first quarter profits to £111m. Charterhouse Tilney continues to favour the stock and upgraded its full year profits estimate by £6m to £366m. Mr Mike Stoddart at the broker, said the adjustment was to reflect, "strong traffic growth and the confirmation that trading is in line with expectations."

A positive agm statement from BPB, the building materials group, saw the shares appreciate 2 to 332p. The chairman told shareholders that a trend of better sales volumes seen last year had continued into the first quarter of the current financial year.

BT shares shaded 6½ to 369p, with Morgan Stanley moving to a hold on the stock.

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (37).

BUILDING & CNSTRN (1) Sherif, BLDG MATLS & MCHTS (1) Shaw (A), CHEMICALS (1) BOC, ELECTRNC & ELECT EQUP (5) Ericsson (LM), Racal, Tadpole Technology, Thorpe (FW), Unitech, ENGINEERING (3) Booth, Renold, 600, EXTRACTIVE INDS (6) Boulder Gold, Coal Invs., Do Wts., Impala Platinum, Joel (HJ) Gold, Rand Mines, INVESTMENT TRUSTS (6) INVESTMENT COMPANIES (1) Oryx, LEISURE & HOTELS (1) Zetters, MEDIA (2) Dorling Kindersley, Intl. Business Comms., OTHER FINANCIAL (1) Cons Alas, OTHER SERVS & BUSNS (1) Kuala Lumpur Kepong, RETAILERS, FOOD (3) Greggs, Morrison (W), Do 5¾pc. Prf., RETAILERS, GENERAL (2) Etam, Vendome Luxury, SUPPORT SERVS (2) Admiral, Real Time Control, TRANSPORT (1) Bergesen A.

NEW LOWS (94).

GILTS (17) BREWERIES (2) Ascot, Paramount, BLDG MATLS & MCHTS (2) Eclipse Blinds, Titon, CHEMICALS (1) Doeflex, ELECTRNC & ELECT EQUP (6) Industrial Control Servs, Milligate, Scantronic, Telemetrix, Tunstall, ENGINEERING (1) Proteon, HEALTH CARE (2) Beapak, Care UK, HOUSEHOLD GOODS (2) Jeyes, Tomkinsons, INVESTMENT TRUSTS (1) INVESTMENT COMPANIES (1) Spanish Smaller Co's, LEISURE & HOTELS (2) City Centre Restaurants, Quadrant, LIFE ASSURANCE (1) Lincoln National, MEDIA (5) Stanhalm, Do 6.4pc Prf., Sleepy Kids, WassGO, Do Wrts., MERCHANT BANKS (1) Barings 9¾pc Prf., OTHER FINANCIAL (3) Finansieringsselskabet Gefion, Intrum Justitia, Towry Law, OTHER SERVS & BUSNS (1) Pietignum, PHARMACEUTICALS (1) Medeva, PRTNG, PAPER & PACKG (4) Delyn, Ferguson Intl., Sonic, Waddington (J), PROPERTY (2) Development Secs., Folkes, RETAILERS, GENERAL (5) Clinton Cards, Colorvision, Partridge Fine Arts, SUPPORT SERVS (3) Macro 4, Rellex, Virtuality, TEXTILES & APPAREL (1) Atkins, TRANSPORT (1) Dart, AMERICANS (1) Whirlpool, CANADIANS (1) Hudson's Bay.

■ CHIEF PRICE CHANGES YESTERDAY

London (Pence)

Rises			
Barclays	554	+	9
Coal Invs	95	+	5
Eurotunnel	314	+	8
Fairline Boats	394	+	11
Grosvenor Inns	148	+	10
Learmonth & Burch	91	+	13
Microfocus	980	+	40
600 Group	70	+	5
Falls			
Abbey Natl	397	-	9
BAA	953	-	20
East Mid Elect	626	-	19
Jacobs (J.I.)	49	-	3
Johnson Fry	185	-	19
Lloyds Bank	544	-	18
Medeva	121½	-	12½
NatWest Bank	448	-	8
P & O	657½	-	15½
Radiant Metal	90	-	5
Seven Trent	556	-	16

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.29	17.24	19.69
0100	8.90	12.07	14.52
[illegible]			

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point: a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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Thornton Unit Managers Ltd - Contd.

OTHER UK UNIT TRUSTS

INSURANCES

Abbey Life Assurance Co Ltd - Contd.

Century Life Plc

Friends Provident

Irish Life Assurance Co Plc - Contd.

M & G Life and M & G Pensions - Contd.

Norwich Union Life Insurance Soc.

Prudential Corporate Pension Funds - Contd.

FT MANAGED FUNDS SERVICE

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Scottish Life Investments
19 St Andrew Square, Edinburgh 031-225 2211

	Bid Price	Offer Price	+ or -	Yield Gross
Property	221.4	233.2	+0.1	-
UK Equity	343.1	361.3	-2.0	-
American	241.0	253.8	+0.5	-
Pacific	370.1	390.0	+0.2	-
European	479.7	505.0	-0.8	-
International	312.4	329.0		-
Fixed Interest	223.1	235.1	-3.0	-
Index Linked	183.8	193.8	-1.2	-
Deposit	192.0	202.2	+0.1	-
Managed	281.3	296.2	-0.8	-
Worldwide	123.0	129.8	+0.4	-
With Profits Pens	92.7	97.8	—	-
Pens. Property	259.8	273.6		-
Pens. UK Equity	411.0	432.8	-2.9	-
Pens. American	268.4	282.7	+1.3	-
Pens. Pacific	436.0	459.0	+0.2	-
Pens. European	579.7	610.3	-0.8	-
Pens International	370.7	390.3	+0.1	-
Pens. Fixed Int	281.8	296.8	-2.8	-
Pens. Index Linked	200.1	210.8	-1.2	-
Pens. Deposit	258.4	272.1		-
Pens. Managed	339.0	357.0	-1.3	-
Pens. Worldwide	130.8	137.8	+0.5	-

Scottish Mutual Assurance plc
109 St Vincent St, Glasgow 041-248 6321

	Bid Price	Offer Price	+ or -	Yield Gross
Flex End Jul 12	1595.0	1844.3	—	-
Fee Mngd Jun 30	1289.1	1329.0	—	-
Safety Fund	224.9	236.8	-1.30	-
Growth Fund	226.2	238.2	-1.4	-
Opportunity Fund	220.7	232.4	-0.80	-
Worldwide Venture Fnd	181.9	191.5	-0.40	-
UK Equity Fund	236.1	248.6	-2.30	-
UK Smaller Cos. Fund	222.7	234.5	-1.5	-
European Fund	350.9	369.4	+0.50	-
Far Eastern Fnd	358.7	377.6	-0.80	-
Japanese Fnd	149.6	157.5	+0.20	-
North American Fund	231.8	244.1		-
International Fund	289.3	304.6	+0.32	-
Gilts & Fxd Int Fund	190.0	200.0	-1.4	-
Index-Linked Fund	171.2	180.3	-1.10	-
Property Fund	132.3	139.3		-
Cash Fund	172.7	181.8	—	-
Pens Safety Fnd	271.5	285.8	-1.30	-

Sun Alliance Group - Contd.

CMI Insurance Co Ltd - Contd.

Scottish Provident Intl Life Ass Ltd - Contd.

Hambros Fd Mgrs (CI) Ltd

Yamaichi Capital Mngt (Guernsey) Ltd

GT Asset Management (Ireland) Ltd

Capital House Fund Mgrs - Contd.

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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Warburg Asset Management Jersey Ltd

Worldinvest (Managers) Jersey Ltd

Valued weekly * Mondays. † Wednesdays.

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds

14 Rue Jean Monnet, L-2180 Luxembourg 352 4249420

Abtrust Fund Mngrs Luxembourg SA (u)

13 rue Goethe L-1637 Luxembourg 010 352 4046461

Foreign & Colonial Emerging Markets Ltd (u)

Fondsmanager 1 (u)

Barimore Luxembourg

HSBC Investment Funds

S.G. Warburg Asset Mngmt Lux SA - Contd.

LUXEMBOURG (REGULATED)(**)

HSBC NAPT Luxembourg SA

OTHER OFFSHORE FUNDS

Unico Financial Services SA Lux

The Environmental Investment Co Ltd

Jardine Fleming Unit Trusts Ltd - Contd.

Putnam Emerging Funds Ltd

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Jul 29 / US$) (3 pm)

EUROPE

AUSTRIA (Jul 29 / Sch)

BELGIUM/LUXEMBOURG (Jul 29 / Frs.)

CANADA (Jul 29 / Can. $) (3 pm)

DENMARK (Jul 29 / Kr)

FINLAND (Jul 29 / Mks)

FRANCE (Jul 29 / Frs.)

GERMANY (Jul 29 / Dm.)

ITALY (Jul 29 / Lira)

NETHERLANDS (Jul 29 / Fls.)

NORWAY (Jul 29 / Kroner)

SPAIN (Jul 29 / Pts.)

SWEDEN (Jul 29 / Kronor)

SWITZERLAND (Jul 29 / Frs.)

AFRICA

SOUTH AFRICA (Jul 29 / Rand)

PACIFIC

JAPAN (Jul 29 / Yen)

AUSTRALIA (Jul 29 / Aust$)

HONG KONG (Jul 29 / H.K.$)

MALAYSIA (Jul 29 / MYR)

SINGAPORE (Jul 29 / S$)

INDICES

	Jul 29	Jul 28	Jul 27	1994 High		1994 Low	
Argentina							
General (29/12/77)	(u)	19326.40	19398.59	25470.48	16/2	17756.98	20/4
Australia							
All Ordinaries(1/1/80)	2061.5	2042.1	2041.7	2340.60	3/2	1957.40	27/6
All Mining(1/1/80)	1020.2	1012.1	1012.8	1136.10	3/2	804.60	5/5
Austria							
Credit Aktien(30/12/84)	410.28	411.87	413.28	460.66	2/2	396.97	22/6
Traded Index(2/1/91)	1077.70	1077.87	1081.85	1222.25	1/2	1011.38	6/6
Belgium							
BEL20 (1/1/91)	1461.03	1451.44	1450.52	1542.65	9/2	1383.98	13/7
Brazil							
Bovespa (29/12/83)	(u)	42554.0	41501.0	42554.00	28/7	3808.90	3/1
Canada							
Metals Minls♦(1975)	(u)	3809.61	3780.10	3879.59	18/3	3299.08	20/4
Composite♦ (1975)	(u)	4149.80	4134.01	4608.98	23/3	3858.90	24/6
Portfolio§§ (4/1/83)	(u)	1950.81	1936.11	2182.89	1/2	1053.17	20/7
Chile							
IPSA Gen (31/12/80)	(u)	4263.4	4259.5	4867.80	4/2	3961.28	4/4
Denmark							
CopenhagenSE(3/1/83)	377.83	375.57	376.37	415.79	2/2	358.69	22/6
Finland							
HEX General(28/12/90)	1845.8	1839.4	1859.8	1972.00	4/2	1601.10	3/1
France							
SBF 250 (31/12/90)	1381.16	1367.47	1370.32	1585.20	2/2	1285.38	4/7
CAC 40(31/12/87)	2074.99	2053.43	2055.69	2355.93	2/2	1866.78	4/7
Germany							
FAZ Aktien(31/12/58)	810.55	805.03	811.22	869.27	18/5	757.51	27/6
Commerzbank(1/12/53)	2306.8	2291.1	2307.8	2465.58	2/5	2140.30	27/6
DAX (30/12/87)‡	2146.64	2122.81	2140.44	2271.11	16/5	1966.82	20/6
Greece							
Athens SE(31/12/80)	845.83	842.84	846.30	1194.58	18/1	806.67	25/5
Hong Kong							
Hang Seng(31/7/64)	9462.81	9402.66	9402.18	12201.09	4/1	8989.44	4/5
India							
BSE Sens.(1979)	4191.3	4108.9	4101.2	4332.90	20/6	3454.00	5/1
Indonesia							
Jakarta Comp.(10/8/82)	451.08	452.97	453.37	612.89	5/1	449.72	12/7
Ireland							
ISEQ Overall(4/1/88)	1814.00	1800.21	1809.27	2082.16	20/1	1694.14	1/7
Italy							
Banca Comm Ital (1972)	709.76	696.03	695.03	817.17	10/5	588.85	10/1
MIB General (4/1/94)	1148.0	1124.0	1122.0	1318.00	10/5	944.09	10/1
Japan							
Nikkei 225 (16/5/49)	20448.39	20247.85	20137.23	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	297.16	294.33	292.81	311.71	13/6	288.22	4/1
Topix (4/1/68)	1637.41	1621.46	1615.82	1712.73	13/6	1448.97	4/1
2nd Section (4/1/68)	2444.51	2429.92	2441.17	2542.65	6/7	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1027.51	1026.30	1020.19	1314.46	5/1	928.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2429.15	2433.22	2881.17	8/2	1957.33	20/4
Netherlands							
CBS TtlRtnGen(End 83)	432.8	429.3	427.7	454.90	31/1	408.30	21/6
CBS All Shr (End 83)	274.7	272.5	271.5	294.80	31/1	257.80	21/6
New Zealand							
Cap. 40 (1/7/86)	2027.16	2008.95	2026.92	2439.64	3/2	1946.51	11/7
Norway							
Oslo SE(Ind)(2/1/83)	1135.72	1125.29	1118.09	1211.19	28/2	980.91	21/6
Philippines							
Manila Comp (2/1/85)	2803.21	2791.14	2784.60	3308.37	4/1	2507.33	9/3
Portugal							
BTA (1977)	2769.4	2754.5	2750.7	3228.60	18/2	2612.89	20/6
Singapore							
SES All-S'pore(2/4/75)	558.70	555.96	556.29	641.61	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	2138.0♥	2168.0	2145.0	2331.08	4/1	1749.00	14/2
JSE Indl. (28/9/78)	6407.0♥	6434.0	6458.0	6757.00	15/6	5446.00	19/1
South Korea							
KoreaCmpEx(4/1/80)**	933.66	926.20	934.22	974.26	2/2	855.37	2/4
Spain							
Madrid SE (30/12/85)	313.70	308.54	311.18	358.32	31/1	291.43	8/7
Sweden							
AffarsvardnGen (1/2/37)	1464.2	1447.9	1460.9	1683.90	31/1	1334.70	6/7
Switzerland							
Swiss Bk Ind (31/12/58)	1202.63	1193.65	1186.66	1423.34	31/1	1157.97	18/7
SBC General (1/4/87)	918.15	912.02	909.03	1093.29	31/1	888.10	13/7
Taiwan							
WeightedPr.(30/6/66)**	6748.40	6642.13	6661.34	6749.40	29/7	5194.63	18/3
Thailand							
Bangkok SET (30/4/75)	1378.88	1371.33	1357.64	1753.73	4/1	1196.59	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	(u)	22428.8	21674.0	28883.60	13/1	12980.78	24/3
WORLD							
MS Capital Int (1/1/70)§	624.9*	623.2	623.4	641.00	1/2	591.80	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1387.96	1372.12	1370.08	1540.19	31/1	1303.48	21/6
Euro Top-100 (26/6/90)	1214.12	1201.26	1199.98	1311.01	2/2	1143.86	21/6
JCapelDrgns (31/12/88)	(u)	319.46	318.38	385.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)	(u)	163.24	161.78	182.72	14/2	141.85	21/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Jul	2064.0	2071.8	+21.8	2075.0	2022.0	22,255	12,034
Aug	2072.0	2088.0	+30.0	2089.0	2064.0	-	18,220
Sep	2080.0	2098.0	+30.0	2096.0	2074.0	834	27,270

Open interest figures for previous day.

** Sat July 23: Taiwan Weighted Price 6556.23; Korea Comp Ex 950.58. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jul 29 - 2152.19 +18.07

US INDICES

Dow Jones	Jul 28	Jul 27	Jul 26	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3730.83	3720.47	3735.68	3978.36 (31/1)	97.84 (29/7)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	97.63	97.53	97.87	105.81 (21/1)	96.43 (13/5)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1584.62	1581.28	1598.53	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	183.89	182.77	182.71	227.86 (3/1)	176.71 (24/6)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3757.05 (3753.17) Low 3701.83 (3693.27) (Theoretical♦)
Day's high 3741.84 (3736.68) Low 3717.23 (3714.64) (Actual♦)

Standard and Poors	Jul 28	Jul 27	Jul 26	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	454.23	452.57	453.36	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	528.40	527.72	528.64	560.59 (2/2)	510.05 (21/4)	560.59 (2/2/94)	3.62 (21/6/82)
Financial	44.77	44.54	44.69	48.94 (14/6)	41.39 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	250.60	249.84	250.24	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	433.88	434.02	434.50	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	712.43	712.13	715.88	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jul 22	Jul 15	Jul 8	Year ago
Dow Jones Ind. Div. Yield	2.74	2.71	2.74	2.93
	Jul 27	Jul 20	Jul 13	Year ago
S & P Ind. Div. yield	2.45	2.46	2.47	2.55
S & P Ind. P/E ratio	23.13	23.07	22.93	25.09

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Sep	455.00	456.65	+1.55	457.10	454.70	47,433	203,720
Dec	459.00	459.20	+1.55	459.35	458.75	1,045	13,520
Mar	462.10	462.50	+1.10	462.70	462.10	56	2,855

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Close price	Change on day
Ford Motor	4,011,200	30⅛	+½
Pepsico	3,924,100	29¼	−⅛
Compaq	3,220,400	30⅝	...
Telefonos	2,860,900	59¾	−¼
Coca Cola	2,707,600	44½	+¾
Wilms Cos	2,546,300	32⅞	+1¾
Phlp Morls	2,401,300	54⅜	...
Wellpoint	2,271,800	25¼	-5¼
Gen Motor	2,245,400	50⅞	+⅜
Motorola	2,050,700	52	+1

■ TRADING ACTIVITY

● Volume (million)

	Jul 28	Jul 27	Jul 26
New York SE	245.993	251.653	232.664
Amex	16.441	13.182	14.737
NASDAQ	241.031	247.124	245.229
NYSE			
Issues Traded	2,843	2,826	2,839
Rises	967	877	908
Falls	1,111	1,254	1,147
Unchanged	765	695	784
New Highs	29	20	27
New Lows	56	58	57

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

Prices supplied by Telekurs

FT FREE ANNUAL REPORTS SERVICE

WORLD STOCK MARKETS

AMERICA

GDP details prompt strong rally in Dow

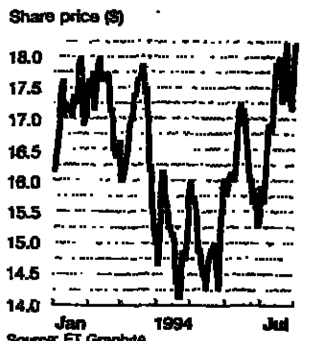
Wall Street

US stocks rallied yesterday morning after the Commerce Department announced that the economy had grown at a slower rate than expected during the second quarter, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 32.05 higher at 3,762.88, climbing to its highest level since June 17. The more broadly based Standard & Poor's 500 was 4.76 ahead at 459.00, as advancing issues on the Big Board swamped declines by a three-to-one margin. Activity was brisk, with 176m shares traded on the NYSE by early afternoon.

LTV

Share price ($)



Source: FT Graphite

In the secondary markets, the American SE composite was up 3.15 at 437.03, and the Nasdaq composite surged 8.73 to 721.16.

At the opening, stocks were fast off the mark and they gathered pace as the morning progressed. Investors were relieved by the earlier announcement that gross domestic product in the second three months of year had grown at a rate of 3.7 per cent, slightly less than economists had forecast.

The news deflated growing concern over the potential of a stronger-than-expected reading to damage share prices. Amid the relief, analysts began to re-evaluate the strength of the economy going into the third quarter, and the prospects for an early move by the Federal Reserve to lift interest rates again.

The strategic thinking in the US Treasury market followed the same path. By midday, prices on the benchmark 30-year security had surged by one and a half points and the yield plunged below 7.40 per cent as traders rushed in to cover their bets that the GDP would exceed expectations.

Amid the fanfare, bearish data from Chicago purchasing managers, suggesting higher price pressures in the manufacturing sector, was largely ignored.

With fears over rates put aside, at least temporarily, stocks which are most sensitive to broad economic trends advanced. Among the Dow industrials, Caterpillar climbed $1⅛ to $108⅝, International Paper gained $1¼ to $72¼ and Alcoa added $1⅝ to $78⅛. DuPont, however, slipped $⅛ to $59⅝.

The improving fundamental outlook gave a lift to semiconductor stocks, too. Texas Instruments jumped $3⅜ to $79, Micron Technology gained $2¼ to $37⅝ and Applied Materials added $2½ to $45⅛.

But technology stocks across the board improved, with Apple up $1⅜ to $33⅝ and Microsoft $1⅛ ahead to $37⅞.

Earnings news continued to trickle into Wall Street. LTV, a leading steel maker, was marked up $1¼ to $18¼ after posting net income of 40 cents a share, nearly double the consensus forecast. Inland Steel pushed $1⅛ ahead to $38. The gains followed JP Morgan's recommendation to buy steel issues because of an expected price increase from Chrysler.

On the Nasdaq, Thursday's speculation about a possible takeover of Intergroup Healthcare proved to be prescient, as Foundation Health agreed to buy the company through a $750m stock swap. Shares in Intergroup surged a further $10 to $57⅞, adding 51 per cent to their value in two sessions. Foundation dropped $3 to $32.

Canada

Toronto was firmer in light midday trade on strength in metals, financial services, and communications. The TSE 300 composite index was up 17.63 at 4,167.44 in volume of 24.34m shares valued at C$220.20m.

Nova led active stocks, up C$⅜ at C$12⅛ on 1.8m shares after Thursday's news that it planned a major restructuring.

Mexico

Mexican shares opened with heavy gains as investors reacted to the sharp rise of Telmex ADRs on Wall Street. The IPC index of 37 leading shares gained 42.21 or 1.7 per cent to 2,471.36 in volume of 18.4m shares. Telmex ADRs gained $1⅝ to $61⅛ in New York. In the local market, Telmex L series gained 1.77 per cent.

Brazil

Shares in São Paulo fell 1 per cent in lacklustre midday trade on continued profit-taking after a rise of more than 16 per cent since the introduction of the real at the beginning of the month.

The Bovespa index of the 56 most-active shares was off 427 at 42,127 by 1pm. Volume was weak at R$103.5m ($110.2m).

Bullion pressures S Africa

Gold shares came under pressure in afternoon Johannesburg as sellers gathered after the bullion price failed to recover from overnight lows.

Other shares also drifted lower but no real selling was seen as sentiment held up after Wall Street gained overnight and posted gains in early trade yesterday. The overall index finished 20 softer at 5,652, industrials lost 27 to 6,407 and golds fell 28 at 2,138.

Few fresh factors emerged to influence direction in the slow pre-weekend atmosphere.

Gencor continued to tend softer as demand slowed after the announcement of its purchase of Billiton. It was 5 cents softer at R11.90.

Anglos added R3 to R249, De Beers was 75 cents lower at R111 after falling on Nasdaq, and SAB fell R1 to R87.

Remgro shed 50 cents to R25.50 and Barlows made 25 cents to R34 in a late rally. Lonrho picked up 30 cents to of Thursday's losses to R9.75.

Vaal Reefs shed R4 to R406 and Kloof was 50 cents off at R58.50.

EUROPE

Dollar strength gives support to the continent

The US played a major factor in lifting sentiment across the continent yesterday.

FRANKFURT closed the official session with a 1 per cent gain in the Dax index, but was barely changed on the week. The index ended up 23.83 at 2,146.64. In the after market the Ibis moved ahead to 2,152.19.

There have been additions to those brokers turning positive on the German market. Mr Eckhard Frahm of Merck Finck is hopeful of a summer rally, noting that the market made a 6 per cent gain during July, while Mr Julian Callow at Kleinwort Benson looks at a discount rate of 4 per cent by the end of the year, helped by favourable inflation and monetary data.

Sector rises were seen in those areas which have been strong over the past week, including Deutsche Bank, up DM3 at DM731.50, which led the way with results on Tuesday. Lehman Brothers, although confident about the bank, thought that there was greater upside to be seen elsewhere, particularly in Dresdner which "commands a price to cash flow multiple of 3.9, compared with 4.8 at Deutsche". Consequently, Lehman maintained its neutral, low risk rating.

The vehicle sector improved further: Daimler up DM18.50 at DM*02.50, BMW up DM4 at DM867.00 and Volkswagen DM5 firmer at DM502. James Capel recommended a switch out of Daimler into BMW, but maintained its strong position on VW.

MILAN found some reassurance in the day's political developments and shares recouped part of the sharp losses seen earlier in the week.

The announcement that Mr Silvio Berlusconi, the prime minister, planned to separate his political and business roles, together with news that his brother had turned himself in to magistrates both helped to calm the nervous market. The Comit index rose 13.97 or 2 per cent to 709.76, but was still 2.9 per cent lower on the week, reflecting the sharp falls on Tuesday and Wednesday.

Industrial stocks lead a broad-based upswing, with Fiat adding L150 to L6,940 and Pirelli adding L80 to L2,885.

Mr Nicholas Potter at Credito Italiano International commented that Fiat was benefiting from its positive performance in its home market and joint ventures abroad while there appeared to be a fundamental review taking place of Pirelli's prospects, which included its commanding position in the fast growing Brazilian market.

"The strong performance of corporate Italy is a welcome diversion from the market turbulence seen this week, which clearly came about through broader issues regarding the control of public finances," he said.

PARIS was a late closing beneficiary of the US currency. The CAC-40 index increased 21.56 or 1 per cent to 2,074.99, up 1 per cent on the day and 1.6 per cent on the week.

Roussel Uclaf was a strong performer, the shares up FFr32 to FFr603 following results which came out after the close on Thursday. Commenting on the data Goldman Sachs said that the first half figures were better than expected and highlighted the positive fundamentals which supported that company – strong underlying pharmaceutical growth, significant restructuring benefits, potential synergies with Hoechst, the parent company, strong financials and considerable overall scope for margin expansion.

Eurotunnel rose FFr1.35 to FFr26.95, with some unconfirmed reports suggesting that a limited and restricted allocation passenger service might start later in the summer.

ZURICH was helped ahead by the firm dollar and prices received a further boost during the afternoon from the positive reaction of US markets to the the day's GDP figures. The SMI index rose 20.2 to 2,579.5, but was 0.7 per cent lower on the week.

Investors continued to display a cautious approach to the banks, ahead of half year details from Credit Suisse which came after the market had closed. CS Holding bearers, however, still added SFr6 to SFr571 while UBS, reporting half year figures next week, also rose SFr6 to SFr1,181.

Roche certificates picked up SFr30 of recent losses to SFr5,320.

Cyclicals put in a strong performance with Brown Boveri adding SFr16 to SFr1,229, Sulzer putting on SFr11 to SFr965 and Alusuisse rising SFr17 to SFr702.

Ares-Serono bearers put on another SFr30 to SFr730 after Thursday's 16.5 per cent surge which followed news from Biogen, the US group, of positive prospects for its beta interferon treatment for multiple sclerosis. Ares is developing its own beta interferon treatment and also has the patent for the production process.

AMSTERDAM made forward progress helped by late strength in the dollar, leading the AEX index up 2.99 to 408.21 on the day and 1.2 per cent on the week.

There were further gains among the cyclicals with DSM and Akzo Nobel again featuring among the most heavily traded issues. Both groups are expected to announce generally encouraging results next week, helped by an improvement in the chemical sector overall. DSM put on Fl 1.40 to Fl 142.90 and Akzo made Fl 1.90 to Fl 214.40.

A solid rise was seen in Hoogovens, the metals company, again on the likelihood that earnings will be boosted by prospects for economic recovery. The shares closed at a new year's high of Fl 79.50, up Fl 2.30.

STOCKHOLM was lifted by declining interest rates and confidence on the outlook for corporate earnings. The Affärsvärlden General index rose 1.1 per cent to 1,464.2, little changed on the week.

Volvo was a favourite among investors, up SKr15 to SKr760.

MADRID posted a 1.3 per cent rise with the lower than expected US GDP data bringing a rush of demand during the afternoon. The general index rose 4.16 to 313.70 in solid turnover of Pta29.7bn.

Electrical stocks were the strongest sector with Endesa rising 3 per cent to Pta6,130.

Written and edited by John Pitt and Michael Morgan

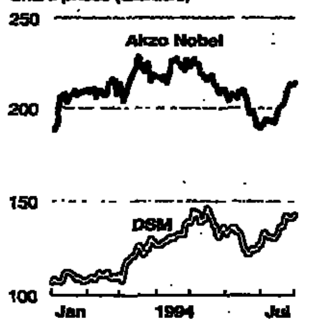
FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Jul 29 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1381.76	1381.48	1382.32	1384.09	1384.21	1387.10	1388.39	1387.96
FT-SE Eurotrack 200	1418.13	1418.26	1419.54	1419.68	1419.63	1425.15	1420.12	1415.61

	Jul 28	Jul 27	Jul 26	Jul 25	Jul 22
FT-SE Eurotrack 100	1372.12	1370.08	1391.70	1384.93	1387.40
FT-SE Eurotrack 200	1410.54	1408.86	1424.29	1421.38	1424.29

Base 1000 (26/10/90); High/day: 100 - 1388.21; 200 - 1427.80 Low/day: 100 - 1381.36 200 - 1416.07

Share prices (Guilders)



Source: FT Graphite

ASIA PACIFIC

Renewed buying helps Nikkei erase week's losses

Tokyo

Buying by public funds supported share prices and the Nikkei average, which has been depressed by overseas selling, erased most of the week's losses, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index rose 201.54 to 20,449.39, marginally lower than last Friday's close of 20,462.89.

The index fell to a day's low of 20,318.16 in the early afternoon before rising above the 20,500 level for the first time in a week to 20,517.10, the day's peak.

The fall in the yen against the dollar encouraged dealers and individual investors, while public fund managers were seen buying export-oriented stocks in the afternoon. But volume totaled 273.7m shares against 286m.

The Topix index of all first section stocks rose 15.95 to 1,637.41 while the Nikkei 300 gained 2.83 to 297.16.

Gainers led losers by 799 to 199 with 156 issues remaining unchanged.

In London, the ISE/Nikkei 50 index rose 7.64 to 1,333.79.

Traders said investor confidence had improved as the Nikkei has remained above the 20,000 level.

However, trading was expected to stay within a narrow range next week as most market participants are reluctant to buy stocks aggressively at higher levels.

Export oriented stocks, which had been hit by selling from overseas investors, gained ground. Toshiba, the most active issue of the day, rose Y6 to Y733 and Hitachi Y13 to Y965.

Nissan Motor rose Y22 to Y770 and precision machinery companies also improved, with Canon up Y10 to Y1,710 and Minolta adding Y10 to Y525.

Profit-taking hit Ihara Chemical Industry, which rose Thursday on speculative buying. The stock fell Y30 to Y1,270.

In Osaka, the OSE average rose 237.68 to 22,736.49 in volume of 14.4m shares.

Roundup

A positive mood prevailed in much of the region.

TAIPEI advanced 1.6 per cent on the day on purchases of plastics, electronics and financial sector stocks, so ending a two-day correction. The weighted index gained 107.27 to 6,749.40, 4 per cent ahead on the week. Turnover was T$100.5bn.

Leading computer makers Microtek International and First International Computer both rose by the daily permitted seven per cent limit, gaining T$3.30 to T$50.50 and T$6 to T$92 respectively.

Plastic stocks were strong on expectations of continuing international demand for petrochemicals, with Taiwan Styrene Monomer gaining T$6 to T$93.

SYDNEY climbed to its highest level in seven trading days, as sentiment was boosted by options-related trade and encouraging economic data.

The All Ordinaries index rose 19.4 to 2,061.5, up 0.5 per cent this week. Turnover was A$740.8m.

Brokers said news that the current account deficit, which narrowed to a seasonally adjusted A$1.439bn in June, from A$1.699bn in May, was at the lower end of market expectations.

Foster's Brewing dominated volume with 30.8m shares exchanged. The stock rose 2 cents, or 1.8 per cent, to A$1.12, with most of the major broking houses involved in heavy options-related trade.

Among gold stocks, Pacific Placer surged 22 cents to a five-week high of A$33.45 and Poseidon Gold added 9 cents to A$3.38, its highest share price in 14 weeks.

North Flinders Mines, which earlier reported a 47 per cent rise in annual net profit to A$30.01 million, was steady at A$8.35.

HONG KONG finished moderately higher after profit-takers pared early gains and the Hang Seng index added 80.15 to 9,482.81, for a 3.6 per cent rise on the week. Fund buyers had pushed the index to a high of 9,525 before profits were taken.

Preliminary turnover dropped sharply to HK$4.26bn from Thursday's HK$6.54bn.

Among blue chips, HSBC rose HK$1.25 to HK$93.00 and Swire Pacific gained HK$1.75 to HK$63.50.

Property developers also performed well with Cheung Kong advancing 60 cents to HK$37.90 and Sun Hung Kai Properties climbing 65 to HK$50.25. But the real estate investor, Hong Kong Land, was a target of profit-taking, losing 15 cents to HK$20.50.

KUALA LUMPUR overcame a round of profit-taking and continued its advance for the sixth straight day.

The composite index closed 1.21 higher 1,027.51, taking the week's rise to 2.7 per cent.

Volume swelled to 215m shares from Thursday's 159m, boosted by a lower-than-expected inflation figure for June and overnight gains in Wall Street.

Pan Malaysia Cement jumped 76 cents to M$5.60 after its announcement of a two-for-one bonus issue.

SEOUL finished higher after an afternoon spurt, led by gains in several blue chips and banking issues and the composite index closed 7.45 higher at 933.65, 0.6 per cent down on the week.

Posco and Samsung Electronics were limit up, adding Won25,000 each to Won73,400 and Won91,000 respectively.

SINGAPORE came back from its intraday high, while trade in Malaysian stocks dealt over the counter benefited from renewed rumours of an impending election announcement in Malaysia.

Some resurgent interest from Japanese funds in Singapore bank stocks was reported although brokers were still mixed on the market's near-term outlook, seeing a prolonged consolidation still on the cards.

The Straits Times Industrials index closed 5.18 higher at 2,206.42, little changed on the week.

MANILA finished slightly higher as PLDT and Philippine National Bank showed strength. The composite index put on 12.07 to 2,803.21, up 3.4 per cent across the week. Turnover was 1.26bn.

WELLINGTON improved on light volume, the NZSE-40 capital index up 18.23 at 2,027.18, unchanged on the week.

Telecom rose 10 cents to NZ$4.78 ahead of going ex dividend on Monday.

SHANGHAI's A index fell another 7.38 or 2.2 per cent to close at a new record low of 328.84. The decline came ahead of a statement from the stock exchange authorities announcing a suspension of the issue and listing of new shares in Shanghai and Shenzhen for the rest of this year, in an effort to stabilise and standardise the markets.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	THURSDAY JULY 28 1994: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY JULY 27 1994: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (68)	171.72	-0.4	166.20	107.48	141.01	155.05	0.0	3.56	172.36	166.92	106.79	141.23	155.09	189.15	139.16	139.16
Austria (17)	185.73	-1.3	179.75	116.25	152.51	152.42	-1.1	1.05	188.13	182.19	118.55	154.14	154.05	195.41	155.68	160.32
Belgium (37)	173.29	-0.1	167.72	108.47	142.30	138.83	0.1	3.98	173.40	167.92	107.43	142.07	138.78	176.57	143.82	147.31
Canada (105)	126.91	0.2	122.83	79.43	104.21	126.88	0.3	2.67	126.64	122.64	78.46	103.76	126.46	145.31	120.54	125.39
Denmark (33)	270.22	-0.4	261.52	169.13	221.89	228.11	-0.2	1.30	271.25	262.68	168.05	222.24	228.52	275.79	209.57	209.57
Finland (24)	160.89	-1.4	155.72	100.71	132.12	175.73	-1.0	0.80	163.27	158.11	101.15	133.77	177.55	163.27	99.98	101.27
France (97)	176.01	-0.3	170.35	110.17	144.53	148.88	-0.2	2.98	176.63	171.05	109.43	144.72	149.22	185.37	152.42	152.42
Germany (58)	142.81	-0.8	138.22	89.39	117.27	117.27	-0.6	1.76	144.03	139.48	89.23	118.01	118.01	147.07	112.69	116.05
Hong Kong (56)	382.60	0.0	370.30	239.48	314.19	379.46	0.0	3.19	382.50	370.43	236.98	313.41	379.36	506.56	276.41	277.27
Ireland (14)	195.41	-0.7	189.13	122.31	160.47	181.89	-0.8	3.36	196.82	190.61	121.94	161.27	183.29	209.33	157.95	159.55
Italy (61)	84.07	0.2	81.37	52.62	69.04	99.63	0.3	1.52	83.89	81.24	51.97	68.74	99.36	97.78	57.88	69.39
Japan (468)	163.36	-0.6	158.11	102.25	134.15	102.25	0.5	0.75	164.27	159.08	101.77	134.60	101.77	170.10	124.54	153.29
Malaysia (98)	485.56	1.2	469.95	303.92	398.73	485.00	1.2	1.71	479.83	464.69	297.28	393.16	479.19	621.63	348.68	348.68
Mexico (18)	2071.18	1.8	2004.54	1296.39	1700.77	7695.97	1.8	1.74	2035.16	1970.89	1260.85	1667.49	7575.48	2647.08	1582.33	1603.63
Netherland (27)	207.96	0.2	201.27	130.17	170.77	168.25	0.4	3.38	207.49	200.94	128.55	170.01	167.53	207.96	167.62	167.94
New Zealand (14)	67.50	-1.3	65.33	42.25	55.43	59.70	-1.2	4.01	68.39	66.23	42.37	56.04	60.41	77.59	53.71	63.71
Norway (23)	208.21	0.3	201.51	130.32	170.97	194.64	0.6	1.70	207.53	200.98	128.57	170.04	193.51	208.21	157.21	159.42
Singapore (44)	344.77	0.0	333.68	215.80	283.12	239.83	0.0	1.76	344.78	333.90	213.61	282.50	239.90	378.92	250.05	250.05
South Africa (59)	290.92	-0.1	281.56	182.09	238.89	290.71	0.2	2.14	291.29	282.09	180.46	238.66	290.00	292.64	175.93	208.74
Spain (42)	143.61	-0.8	138.99	89.89	117.93	141.51	-0.6	4.07	144.84	140.26	89.73	118.67	142.37	155.79	118.33	118.78
Sweden (36)	216.48	-1.5	209.52	135.50	177.77	248.52	-1.1	1.60	219.72	212.78	136.13	180.03	251.21	231.35	170.18	173.15
Switzerland (47)	156.42	0.2	151.38	97.90	128.44	129.65	0.2	1.87	156.03	151.10	96.66	127.84	129.33	176.56	127.14	128.28
United Kingdom (204)	193.60	0.5	187.37	121.18	158.96	187.37	0.4	4.03	192.68	186.60	119.37	157.88	186.60	214.96	175.09	175.09
USA (519)	185.58	0.4	179.61	116.16	152.39	185.58	0.4	2.89	184.82	178.99	114.50	151.43	184.82	196.04	178.35	183.00
EUROPE (720)	169.86	-0.1	164.49	106.38	139.56	154.14	0.0	3.01	170.05	164.68	105.35	139.33	154.10	178.58	145.06	145.06
Nordic (116)	214.67	-1.1	207.76	134.36	176.28	210.51	-0.7	1.41	217.01	210.16	134.45	177.81	212.06	220.60	162.68	164.11
Pacific Basin (749)	171.36	-0.5	165.85	107.26	140.72	112.26	0.4	1.07	172.14	166.71	106.65	141.05	111.77	176.86	134.79	156.44
Euro-Pacific (1469)	170.65	-0.3	165.16	106.81	140.13	128.95	0.3	1.88	171.13	165.73	106.02	140.22	128.61	173.89	143.88	151.66
North America (624)	181.94	0.4	176.09	113.88	149.40	181.55	0.4	2.88	181.21	175.49	112.27	148.48	180.82	192.73	175.67	179.43
Europe Ex. UK (516)	153.36	-0.4	148.43	95.99	125.93	134.15	-0.2	2.41	153.91	149.05	95.35	126.11	134.41	157.47	125.70	126.25
Pacific Ex. Japan (280)	250.70	0.1	242.64	156.92	205.87	224.40	0.2	2.87	250.46	242.55	155.17	205.21	223.94	296.21	188.00	188.00
World Ex. US (1651)	171.75	-0.2	166.23	107.50	141.04	132.37	0.3	1.90	172.18	166.74	106.67	141.07	132.00	174.76	145.58	152.26
World Ex. UK (1966)	173.55	-0.1	167.96	108.63	142.51	145.17	0.3	2.06	173.67	168.19	107.59	142.29	144.71	175.58	155.96	160.23
World Ex. So. Af. (2111)	174.61	0.0	168.99	109.29	143.38	147.93	0.3	2.25	174.64	169.12	108.19	143.09	147.45	178.56	158.54	161.33
World Ex. Japan (1701)	183.88	0.2	177.97	115.10	151.00	176.12	0.3	2.90	183.49	177.69	113.68	150.34	175.66	195.20	167.94	167.94
The World Index (2170)	175.33	0.0	169.69	109.74	143.97	148.99	0.3	2.25	175.36	169.82	108.64	143.68	148.50	178.97	158.85	161.56

Latest prices were unavailable for this edition.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied-Lyons	540	54	-	-	7½	-	-
(*580)	580	24	-	-	27½	-	-
Argyll	260	21½	28½	33½	12	18	21½
(*267)	280	11½	18½	24½	23½	29	32
ASDA	50	9½	11½	12½	2½	4	5
(*57)	60	3	5½	7½	7	8½	10½
Brit Airways	420	27	36	45½	21	29	34½
(*422)	460	11	19½	28	46	52½	57½
SmKl Bchm A	390	33½	41½	49½	13	20½	25½
(*408)	420	17½	27	34	28½	35½	40½
Boots	500	44½	52½	62	11½	19	24
(*526)	550	16½	26½	36½	35½	45	49½
BP	390	35½	43	49	10	15½	19
(*412)	420	18	26½	33½	24	29	33½
British Steel	140	22	28	38	3½	6	8½
(*157)	160	9	15	18	10½	14½	17
Bass	550	31	40½	47½	21½	37	42
(*552)	600	11½	18½	26½	54½	71	74
Cable & Wire	420	32	42½	52	17	25½	30½
(*429)	460	14½	24½	33½	41½	48½	53½
Courtaulds	500	48½	58½	65½	11½	21	26
(*528)	550	18	26½	38	36	46	51½
Comm Union	500	54½	64½	69½	8½	15	21½
(*547)	550	22½	34	41½	30	34	47
ICI	800	53	73	85½	23	32	47
(*834)	850	28	47	59	49	58	72½
Kingfisher	500	31	44	54½	27	32	37
(*503)	550	12½	22½	33½	58½	63	67
Land Secur	650	33½	42½	53½	18½	26	28½
(*658)	700	12	19	29½	48½	55	56½
Marks & S	420	22	30½	38	15	22	25½
(*422)	460	6½	13½	20½	41½	46	49
NatWest	420	39	48	53½	15	17	28
(*446)	460	19	27	33	36	37½	50
Sainsbury	390	37	42½	51	16	21	25
(*406)	420	21	28½	35	30	35½	39½
Shell Trans.	700	45½	55½	64	15	21	31½
(*730)	750	17½	29½	37½	42½	48	57½
Storehouse	220	16	21	25	9	13½	16½
(*223)	240	7	11½	16	22	25	28½
Trafalgar	70	12	14	16½	3½	5	5½
(*77)	80	5½	8	11	8	9½	11
Unilever	1000	48	62½	75	26½	36½	50
(*1009)	1050	23	38	50½	54½	64	77½
Zeneca	700	60	72	81	14½	23½	35½
(*744)	750	26½	43½	53½	37	46½	60½
Option		Aug	Nov	Feb	Aug	Nov	Feb
Grand Met	390	26	41	48½	2½	12½	19½
(*411)	420	6	23½	31½	14½	26	34½
Ladbroke	160	12	20½	25½	2	9½	11½
(*169)	180	2	10½	16½	13	22	23½
Utd Biscuits	300	27½	36	42	1½	10½	13
(*324)	330	6½	18½	25½	11	24½	27½
Option		Sep	Dec	Mar	Sep	Dec	Mar
Fisons	130	12½	16	18	5	9½	12
(*136)	140	6½	10½	13½	10½	15	17½
Option		Aug	Nov	Feb	Aug	Nov	Feb
Brit Aero	460	37½	58	72	3	22	31
(*495)	500	9½	37	51½	19	40	50½
BAT Inds	420	28	36½	47	4	16½	21½
(*443)	460	3	18	26	31	38½	43
BTR	360	14	25	33	3½	16	19
(*369)	390	2	11½	18½	23	33½	36½
Brit Telecom	360	14	28	31½	3½	11½	17
(*369)	390	2	13½	16½	23	28½	36½
Cadbury Sch	420	15½	29	39½	4	16½	20½
(*432)	460	1½	12½	22½	31	41½	43½
Eastern Elec	600	49	70	82	2½	18	28
(*644)	650	11½	40	54	17½	37	47½
Guinness	420	27½	37½	48	1½	12	16
(*443)	460	3½	16	27	21	32	36
GEC	280	6½	18	22½	4½	12½	16½
(*281)	300	1½	9	13½	21	25	28½

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Hanson	240	20½	25	29	1	6½	9½
(*259)	260	4	13½	17½	5½	15	18½
Lasmo	134	15½	22½	-	1	7	-
(*147)	154	3½	11	-	9	17	-
Lucas Inds	180	17	24	26½	1½	9	12
(*193)	200	4	13	16½	9	19½	23
P & O	650	17½	39½	55	11½	39	48
(*656)	700	2	18½	33	48	72	79
Pilkington	180	15	21	25½	1½	7	11
(*192)	200	2½	9½	15½	11	17	21½
Prudential	300	12	21	28	4	16	19½
(*306)	330	2	8	15	26	35	37
RTZ	850	24½	55½	72½	9½	35½	46½
(*863)	900	4	31	48½	43	65½	73
Redland	500	43	56	65½	1½	16	25
(*538)	550	7	27	38½	18½	41½	50½
Royal Insce	240	13	23½	29	3	13½	16
(*249)	260	3	14	19	13½	24½	27
Tesco	220	14½	21½	27	2	9½	13
(*231)	240	4	12	16½	12	20½	23½
Vodafone	183	5	15	18	4½	11	14½
(*184)	200	1	7½	11½	18½	22	25
Williams	354	13½	24	-	4	15½	-
(*361)	384	2	10½	-	24	23½	-
Option		Oct	Jan	Apr	Oct	Jan	Apr
BAA	950	45	58½	76½	34	46	52
(*950)	1000	22	36½	52½	64½	73	79½
Thames Wtr	500	35	42	50	16	24½	29½
(*513)	550	13	19	27½	44½	52	58
Option		Sep	Dec	Mar	Sep	Dec	Mar
Abbey Natl	390	16½	29	37	18	21	29
(*396)	420	7	15½	23½	38	39	47½
Amstrad	25	7	7½	8½	1½	2	3
(*30)	30	3½	5	6	3½	4½	5½
Barclays	550	23	36½	47	25½	33½	44
(*552)	600	8½	17½	27	62½	67½	76
Blue Circle	300	23	31	39	12	17	21½
(*311)	330	8½	17½	25	30	34½	38½
British Gas	260	17½	20½	26	6½	14	16
(*268)	280	7½	11	16	17	26	28
Dixons	180	14½	22	25½	10½	13½	17
(*183)	200	6	13½	17½	22	25½	28½
Hillsdown	160	15½	19½	24	4½	7	8½
(*169)	180	6	10½	14½	15½	18½	19½
Lonrho	130	12	17	20	5	8	11
(*135)	140	6½	12	15	9½	13	16
Natl Power	420	38	48½	56	9	15½	20
(*446)	460	15	26	34½	26½	34½	39
Scot Power	360	21	31	36	15	20	25½
(*373)	390	7½	18	22½	33½	37½	42½
Sears	110	9½	12½	14½	3½	5	7½
(*115)	120	4½	7	9	8½	11½	13
Forte	220	20½	24½	28½	6	11½	14
(*231)	240	9½	14½	19½	15½	22	24½
Tarmac	140	14½	19	22½	5½	10½	13
(*148)	160	5	9	13	17	22½	26
Thorn EMI	1000	61½	88½	104	23½	38	53½
(*1030)	1050	33½	61	75½	47½	63	77
TSB	200	12½	18½	22	8½	12½	17
(*208)	220	4½	11	13	22½	25½	29
Tomkins	220	13½	19½	24½	9	13½	17
(*221)	240	5½	11½	15½	22½	25½	29
Wellcome	600	55½	74½	88½	16	29	37
(*639)	650	27½	48½	62½	39	54	62
Option		Oct	Jan	Apr	Oct	Jan	Apr
Glaxo	550	46	56½	66	30	39½	51
(*573)	600	19½	33½	41	61	69	80
HSBC 75p shs	750	66	88	106	40½	56½	79
(*774)	800	41½	64½	83½	67	82	106
Reuters	462	29	-	-	23	-	-
(*465)	475	23	-	-	29	-	-
Option		Aug	Nov	Feb	Aug	Nov	Feb
Rolls-Royce	180	14½	22½	27	1½	8½	12½
(*192)	200	3	12½	17½	11	19	22½

* Underlying security price. Premiums shown are based on closing offer prices.
July 29 . Total contracts: 41,748 Calls: 18,301 Puts: 23,447

FT GOLD MINES INDEX

	Jul 29	% chg on day	Jul 27	Jul 26	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (36)	1990.85	-0.4	1999.41	1980.11	2824.35	2.12	2367.40	1522.68
■ Regional Indices								
Africa (16)	3002.41	+0.5	2986.57	2913.81	2821.32	4.41	3440.80	1902.23
Australasia (8)	2555.94	+0.6	2541.37	2543.54	2387.58	2.03	3013.89	1693.18
North America (12)	1594.87	-1.2	1614.77	1583.50	1742.87	0.81	2039.65	1363.00

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines Index: July 29: 238.5; day's change: -5.3 points; Year ago: 249.2
Latest prices were unavailable for this edition.

RISES AND FALLS

	On Friday: Rises	Falls	Same	On the week: Rises	Falls	Same
British Funds	20	43	8	63	247	45
Other Fixed Interest	0	6	9	2	18	55
Mineral Extraction	73	44	83	294	283	423
General Manufacturers	118	146	385	653	606	1,990
Consumer Goods	44	37	109	225	183	542
Services	76	114	313	441	466	1,612
Utilities	14	24	7	86	87	52
Financials	67	105	197	370	497	978
Investment Trusts	142	41	283	517	225	1,486
Others	50	43	39	169	279	208
Totals	604	603	1,433	2,920	2,891	7,393

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

Calls: Arcon Intl., Caverdale, Division Grp., Ests. & Gen. Prf., GEEST, Lon. Met. Prop., Lloyds Bank, Medeva, Millgate, Mirror Grp., NHL (Prf.), Porvair, Trafalgar Hse., Tullow Oil. Puts & Calls: Caverdale, Millgate, Shoprite.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	21.9	89	83	Baillie Gfd Shn Wts	87		-	-	-	-
18	F.P.	5.18	31	21	Camelot	28	+1	-	-	-	-
-	F.P.	28.0	58	53	Emrg Mkts Country	58		-	-	-	-
-	F.P.	3.40	34	26	Do. Warrants	34		-	-	-	-
220	F.P.	110.3	227	220	Eurodollar	225		WN8.5	0.9	4.7	17.6
175	F.P.	242.8	203	197	Exco A/L	197		L8.4	2.2	5.4	10.7
-	F.P.	6.90	71	69	Freeport	70		-	-	-	-
-	F.P.	59.4	265	238	Ideal Hardware	261	-3	N8.4	1.8	3.7	18.7
-	F.P.	-	77	63	JF Fl Japan Wrts	71	+1	-	-	-	-
3	F.P.	1.73	3¼	3	John Mansfield	3¼		-	-	-	-
100	F.P.	68.6	98	94	Old Mutual SA	98		-	-	-	-
-	F.P.	6.16	45	43	Do Warrants	44		-	-	-	-
23	F.P.	19.8	31	29	Orbis	29		-	-	-	-
§90	F.P.	16.5	95	93	Panther	94	-1	N2.78	-	3.7	-
-	F.P.	0.46	13	5½	Do. Warrants	13		-	-	-	-
-	F.P.	1.23	39	39	Petroceltic	39		-	-	-	-
-	F.P.	118.1	95	91	Schroder Japan G	94½	+¼	-	-	-	-
-	F.P.	12.8	51	42	Do Warrants	51	+2½	-	-	-	-
	F.P.	44.6	92	88½	Scudder Latin	89	-½	-	-	-	-
-	F.P.	6.02	44	42	Do Wts	43		-	-	-	-
100	F.P.	24.8	99	98	Shires HY Smlr C	99		-	-	-	-
-	F.P.	1.09	14	11	Sth Country Hms	13½		-	-	-	-
100	F.P.	3.52	97	97	TR Euro Gth Ptg	97		-	-	-	-
-	F.P.	-	14	8½	TR Prop Wrts	10½		-	-	-	-
272	F.P.	1,691.6	285	280	3i	291		N6.64	1.1	2.8	33.6
-	F.P.	2.72	35	29	Tops Ests Wrts	34		-	-	-	-
-	F.P.	58.1	49	34	VideoLogic	42½		-	-	-	-
140	F.P.	64.4	169	148	Yates Bros Wine	166	+1	L3.0	2.7	2.3	20.5

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
15	Nil	2/9	5pm	1½pm	Bolton	1½pm	
-	Nil	13/8	125pm	61pm	Charter	121pm	
40	Nil	25/8	5pm	2pm	Excalibur	2¾pm	+¼
120	Nil	1/9	26pm	18pm	Finelist	23pm	-1
-	Nil	-	6pm	4pm	Freeport	5pm	
24	Nil	25/7	3pm	2pm	Helene	2½pm	
9	Nil	3/8	¼pm	¼pm	Paramount	¼pm	
130	Nil	14/7	26pm	9pm	Ricardo	9pm	
190	Nil	12/9	23pm	20pm	Waddington (J)	20pm	
73	Nil	5/8	3pm	¼pm	Wates City of Lon	¼pm	

FINANCIAL TIMES EQUITY INDICES

	July 29	July 28	July 27	July 26	July 25	Yr ago	*High	*Low
Ordinary Share	2389.9	2399.1	2396.0	2420.6	2409.9	2317.6	2713.6	2240.6
Ord. div. yield	4.21	4.19	4.20	4.15	4.17	3.98	4.46	3.43
Earn. yld. % full	5.66	5.64	5.64	5.59	5.61	4.74	5.95	3.82
P/E ratio net	18.84	18.91	18.89	19.08	19.00	27.00	33.43	17.89
P/E ratio nil	19.59	19.66	19.64	19.84	19.75	24.94	30.80	18.61

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2407.0	2408.0	2405.8	2401.9	2402.2	2402.6	2407.7	2388.9	2387.8	2410.2	2381.3

	July 29	July 28	July 27	July 26	July 25	Yr ago
SEAQ bargains	23,353	23,565	23,945	25,537	25,318	41,728
Equity turnover (£m)†	-	1390.6	1054.0	979.7	1023.9	1725.0
Equity bargains†	-	26,109	26,599	28,471	33,480	45,895
Shares traded (mil)†	-	528.0	454.7	408.6	406.9	677.8

† Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£21¹¹⁄₁₆	-⅛	£25⅛	£20¹¹⁄₁₆	6,482	5.1	ϕ
ANZ A$		198	—	278¼	179¼	2,633	4.9	29.4
Abbey National		397	-9	523	381	5,208	4.4	13.3
Allied Irish I£		253	-2	314	234	1,867	5.0	9.7
Anglo Irish I£		55	-1	70	50	102.7	7.7	10.2
Asahi Y		798	-10¼	819¾	628	18,645	0.6	ϕ
Banco Bil Viz Pta		£14⅜	-⅛	£16⅞	£14⅛	3,420	5.7	6.5
Banco Sant Pta		£27½	—	*£30½	£23¾	4,289	5.2	9.7
Bk Ireland I£		277	—	*319	246	1,309	4.7	8.0
Bank Scotland		185	+1	247	172½	2,157	3.4	15.1
9¼pc Pf		115¾	-½	141½	114	115.8	10.0	–
9¾pc Pf		120	-½	149½	119¾	120.0	10.2	–
Barclays		554	+9	640	487	9,013	3.4	23.0
Dai Ichi Kan Y		£12¼	+⅛	£12¼	£10⅜	38,577	0.5	65.0
Deutsche DM		£300¼	+1⅝	£344¾	£270⅞	14,299	2.3	–
Espirito Santo		£18⅝	-⅛	£26⅛	£17⅞	200.1	4.2	4.6
First Nat Fin		65	—	*80	60	109.7	2.9	–
6.3pc Cv Pf		78xd	—	*90	77	5.24	10.1	–
7pc Cv Pf		127xd	—	171	123	60.3	8.9	–
Fuji Bank Y		1471½	-¼	1549¼	1152½	42,628	0.4	ϕ
HSBC HK		766	-2	1133	680	13,790	3.7	11.4
HSBC (75p Shs)		774	-2½	1173	680	6,571	3.8	11.2
Lloyds		544	-18	650	519	7,039	5.4	10.6
Mitsubishi Y		£17⅛	-⅛	£18⅜	£15⅝	49,018	0.3	ϕ
Mits Tst & Bk Y		1042¾	-7¼	1182¾	687½	12,494	0.5	16.2
Mitsui Tst & Bk Y		768¼	+1¼	879	514	9,205	0.7	25.3
Nat Aust A$		527	—	630¼	469¾	7,055	5.4	10.9
NatWest		446	-6	622	421	7,454	5.2	10.2
Ottomane FFr		£23½	—	233	£23½	117.5	6.2	ϕ
[illegible]		[illegible]						

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

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FINANCIAL TIMES
Weekend July 30/July 31 1994

Berlusconi moves to head off conflict of interest accusations

By Robert Graham in Rome

Mr Silvio Berlusconi yesterday announced the creation of a special commission to distance his business interests in the Fininvest media empire from his role as Italian prime minister.

The decision was taken without direct consultation with President Oscar Luigi Scalfaro, the president's office said last night.

It came just after Mr Berlusconi's younger brother, Paolo, surrendered to anti-corruption magistrates in Milan to answer charges of paying bribes to members of the Guardia di Finanza, the financial police.

Mr Berlusconi's move, designed to avoid an increasingly damaging conflict of interest that has undermined the credibility his government, was greeted with cautious relief by the financial markets. The lira strengthened marginally and rose above L1,000 to the D-Mark.

Outlining his initiative, a grim-faced Mr Berlusconi implicitly admitted he had underestimated the problems created by his ownership of Fininvest. Supporters and opponents agreed he had bought some breathing space for his embattled government.

Mr Gianfranco Fini, leader of the neo-fascist MSI/National Alliance, and a key partner in the rightwing coalition commented: "Mr Berlusconi's decision is wise and just, and makes things clear."

Under Mr Berlusconi's proposal, Mr Scalfaro – in conjunction with the speakers of the two houses of parliament – will nominate a five-person special commission. The commission will include the head of the media watchdog body and the chairman of the anti-trust commission.

The new authority will monitor all potential conflicts of interest that might affect government business and the affairs of the Fininvest group, Italy's second-largest private holding with turnover of L11,600bn (£4,801m) and net debts of L3,800bn in 1993.

The commission will supervise the activities of an administrator, appointed by Mr Berlusconi, whose task will be to look after the prime minister's proprietary interests in Fininvest. This is a more restrictive approach than Mr Berlusconi expected.

Last night, Mr Paolo Berlusconi's lawyers were quoted by Ansa, the national news agency, as saying their client had admitted paying L330m to the Guardia di Finanza over inspections of the balance sheets of three Fininvest companies. They insisted, however, he had been forced to pay by the police.

An arrest warrant was issued for him on Tuesday. He handed himself in yesterday only after his lawyers had ensured he would avoid jail. Two others linked with Fininvest also surrendered themselves yesterday.

● Mr Bettino Craxi, the former Socialist premier, was yesterday sentenced to 8½ years in jail for his part in the 1982 collapse of the Banco Ambrosiano. A similar sentence was handed out to Mr Claudio Martelli, the former Socialist justice minister and one time heir to Mr Craxi. Since February Mr Craxi has been living in Tunisia.

THE LEX COLUMN

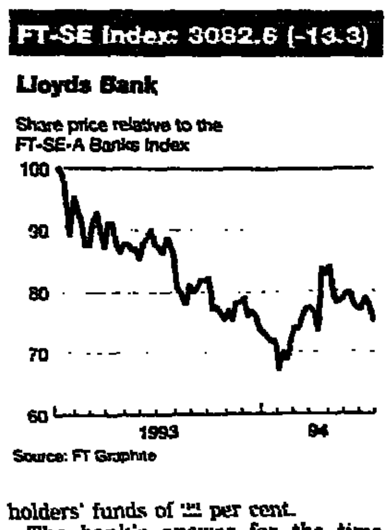
Tender feelings

The Bank of England must have known that yesterday's Treasury Bill auction would cause a stir. Since three-month money market rates have crept up over the past week, it had an awkward choice. It could withdraw the tender, in which case it might be accused of forfeiting credibility by resisting upward pressure on rates. Or it could proceed on schedule, in which case the markets might assume it was somehow endorsing higher rates. In the event it chose to do the latter but offset the signal effect by dealing shortly afterwards at its normal rate in the money market.

Such a sophisticated approach may seem natural to an organisation with 300 years of experience. But the simple message that no interest rate signal was intended was lost on the broader market. Instead it concluded that the Old Lady was finally losing her grip. Much as the Bank prizes its discretion over the timing of interest rate changes, the uncertainty could have been avoided if decisions taken at the monthly meeting between the chancellor and the governor – most recently on Thursday – were implemented at once. The Bank's right to choose the moment supposedly reflects its technical grasp, but it did not show much talent in this regard yesterday.

Moreover, the authorities may be missing an opportunity if they have decided to leave rates alone. Though the markets may have read too much inflationary risk into this week's CBI quarterly trends survey, policy should aim to pre-empt any acceleration of price rises before it actually happens. Parliament is now in recess and no gilts auction is on the cards for August. There could hardly be a better time to move, especially since the markets will remain restive until the authorities finally show their hand.

Lloyds Bank



However hard it tries, Lloyds Bank seems to find it difficult to shake off the image of producing high returns but limited prospect of organic growth. The bank says it is starting to see faint signs of higher volume, but its first half presented a familiar picture. Though operating income before provisions rose, this largely reflected continuing tight control over costs and the reinvestment of retained earnings, which boosted interest income. The loan book was slightly lower than a year ago. Lloyds must ask itself how this poor underlying picture squares with its net return on shareholders' funds of 22 per cent.

The bank's answer for the time being is that it would be wrong to sacrifice return unless it was sure higher business volume would compensate for loss of margin. In other words Sir Brian Pitman, its chief executive, is not about to start the price war many observers of UK banking fear. Whether his competitors will let him go on reaping such high returns is another matter. The most dangerous time will be when loan demand picks up, making competition for market share more worthwhile.

It would be better for Lloyds if Cheltenham & Gloucester is in the bag before this happens. C&G's low-cost operation will provide a sure defence against the price-cutters. Lloyds had nothing new to say on C&G yesterday. But if the bid process falters, its shares would surely fall much further than the 3 per cent witnessed after its mildly disappointing dividend rise.

Housing market

The strong recovery in the UK economy has barely touched the housing market. The prospect of a turn in the interest rate cycle must raise doubts among householders about whether it ever will. Although a small rise in short-term rates would not much affect the cost of mortgage borrowing, it would damage consumer confidence. Next week's house price figures from the Halifax and Nationwide building societies are unlikely to be encouraging.

This is curious. On various affordability indices, houses are "cheaper" than for many years. Demographics suggest there should also be plenty of eager first-time buyers. But several factors are deadening the market. Real income growth has been dented by tax rises. The rise in long bond yields has already pushed up the costs of fixed-rate mortgages to new borrowers by about 2½ percentage points. More houseowners may have been sprung from the negative equity trap but they still have no equity from which to gear up and climb the housing ladder. Mortgage repossessions have fallen sharply from their peak but are still running at a historically high level.

But maybe the real culprit is the government. In 1975 it was generous enough to pay 40 per cent of all mortgage interest payments. Last year that figure had dropped to 10 per cent. That other fuel of house market prices – negative real interest rates – has also been eliminated. Such economic virtue is, of course, commendable. But it has a price.

Food retailing

Things have reached a pretty pass in the UK grocery industry when the two biggest chains believe the best means of expanding is to scrap over a small Scottish retailer such as Wm Low. But that battle may yet be seen as the last hurrah of industry consolidation heralding a more mature era. Scotland is the last area of the country to be carved up. It is significant that both bidders highlight the need to recycle rather than add capacity.

All superstore groups are scaling back their once manic opening programmes – although that partly reflects a stricter planning regime. The average cost of superstores has fallen. The big groups are depreciating their assets more prudently, providing greater comfort about the quality of future earnings. The superstore chains have stamped their authority on the market by trimming prices – albeit at a cost to their gross margins. Diversification plans are developing in product ranges, geographical areas and store formats. Add in the accelerating economic recovery and it is easy to understand why the sector has outperformed by 12 per cent over the past three months.

But the dawn of that new era may prove false. Asda and Gateway, which started the pricing turbulence last year, may now be appreciating the relative price stability. But Kwik Save could prove the next disruptive force. Squeezed between the hard discounters and superstores, it may be tempted to give deep price cuts another go.

MMM fund cuts prices

Continued from Page 1

which they were reluctant to blame. Mr Mavrodi's statement referred to the "panic" created by the government a week ago, when it first issued warnings about the scheme. In the conditions created by the statements, "it is useless to continue buying shares back from the shareholders…it can only lead to the bankruptcy of the company," the statement said.

However, the company's press office said that 32 of its sales points in Moscow were working yesterday, buying shares at Rbs950 and selling at Rbs1,000. On the street, the buying price stood at around Rbs6,000 and selling price at around Rbs10,000.

The company's apparent collapse, after months of Russia's biggest television advertising campaign, has revealed huge gaps in securities and investor protection law. But the authorities were also unwilling or unable to use what law exists, or to issue warnings until the fund had millions of shareholders.

Many of these say they have invested much of their savings in what has turned out to be Russia's latest false dream.

The affair has not yet affected the currency market, where the rouble has remained stable against the dollar for some days.

Procter steps up attack on Unilever's 'Persil Power'

By Diane Summers, Marketing Correspondent

Procter & Gamble has unleashed a new attack on Unilever, its arch-rival in the soap wars, with an exhibition of more frayed and washed-out boxer shorts plus full-page advertisements today in UK newspapers knocking Unilever's new-generation soap powder.

Procter paraded the shorts yesterday – as well as pyjamas and a garish shirt – in a series of photo-sessions and media briefings highlighting the results of independent tests carried out on Unilever's "rebalanced" version of its recently launched Persil Power.

The Persil Power formula was amended following Procter's original claim that the detergent's manganese-based "accelerator" could damage clothes after frequent washing. Procter said yesterday that new test results showed that even the weakened version of the detergent could cause damage.

The newspaper advertisements placed by Procter do not name Persil Power, but state that "only Ariel [Procter's soap powder] washes so clean yet so safe" and that Ariel "does not contain the accelerator". The advertisements warn the public that even if they switch brands, "manganese accelerator residues can be left on your clothes", and continue to cause colour fading.


Unilever's new powder can still damage clothes, Procter claims

Procter says it has been warning the public about the product – also marketed as Omo Power and Skip Power elsewhere in Europe – because it does not want to be blamed for any damage.

Unilever claims that Procter's actions stem from the fact that it, too, plans to launch a new-generation detergent in the autumn; while Ariel Future will not contain the manganese-based product, it will be promoted as having very similar characteristics as Persil Power, Unilever says.

Unilever said yesterday that Procter's latest test results – conducted by independent test house the British Textile Technology Group – were "very old hat".

The test data, collected in laboratory conditions, were not as valid as Unilever's field trials which had been entirely successful, the company said. Earlier this month, Unilever published extracts of independent tests it had commissioned which were said to prove the detergent's safety and effectiveness.

The Consumers' Association, the UK consumer group, is currently testing Persil Power and results are due in about 10 weeks. Marks and Spencer, which manufactured some of the garments used in the tests, is also scrutinising the product.

Meanwhile, the UK tabloid press is beginning to turn Persil Power into the "galloping gangrene" of the detergent world. This week The Sun has had tales of silk boxer shorts being "eaten".

Tribunal critical of awards

Continued from Page 1

government's abolition last November of an £11,000 compensation limit in industrial tribunals for sex discrimination.

About 70 cases involving pregnant women dismissed in past years from the armed forces have been heard at industrial tribunals, with a record £299,000 recently awarded.

The appeals tribunal, which criticised the way the original industrial tribunals had calculated the awards, ruled that in future cases "industrial tribunals need to keep a due sense of proportion when assessing compensation".

The tribunal also called for greater consistency of awards for ex-servicewomen.

Issuing guidance to industrial tribunals considering future similar claims, Mr Justice Morison said: "The large awards running into many tens of thousands of pounds seem quite out of proportion to the wrong done."

Lloyds Bank shares fall

Continued from Page 1

the economic recovery were felt. Its provisions for bad and doubtful debts fell to £102m, compared with £138m.

The bank continued to gain from its decision in the 1980s to retain non-performing debt to less developed countries.

Its debt portfolio earned it £148m, including a release of £105m provisions due to Brazilian debt rescheduling in April.

Two problems were caused by financial market turmoil in the first half. It lost £5m in securities trading, and sustained a £25m loss from Banco Multiplic, a bank dealing in Brazilian government securities in which it has a 50 per cent stake.

Sir Brian Pitman, the bank's chief executive, said it was holding on to about 80 empty branches in the hope of getting better prices when the property market picked up.

Sir Brian suggested that they would make good restaurants.

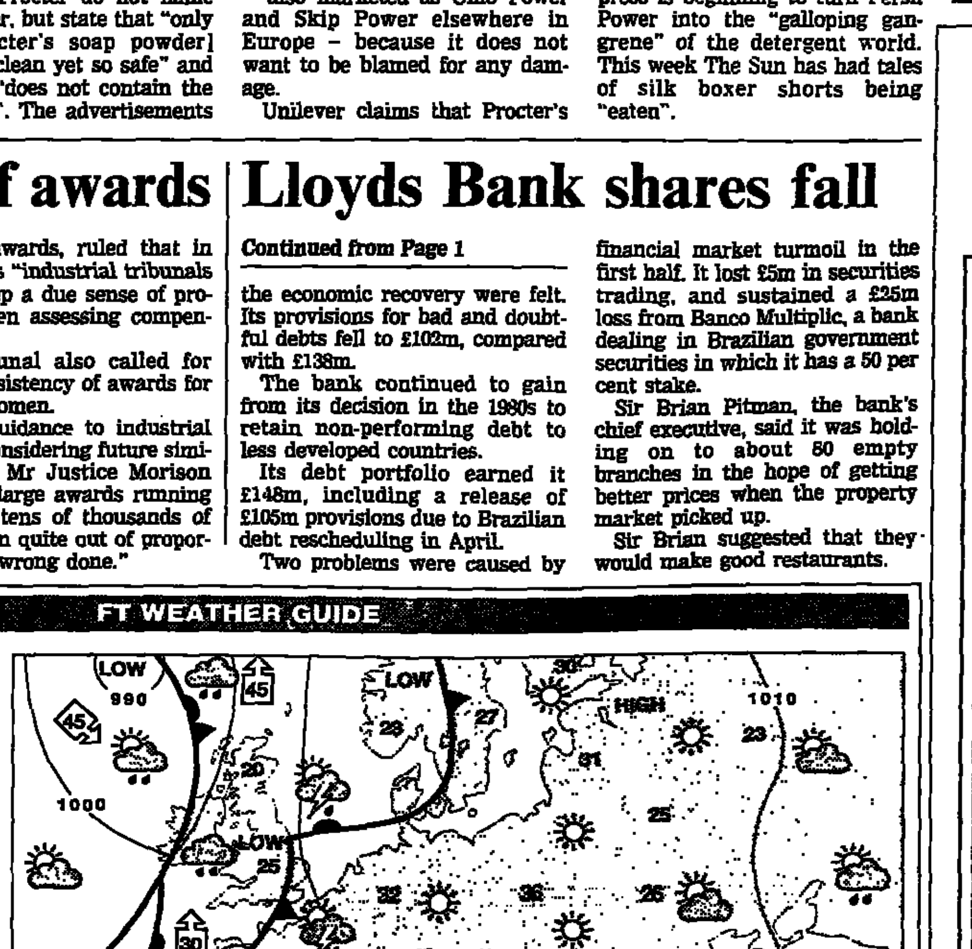
FT WEATHER GUIDE

Europe today

Most of Europe will have tropical temperatures with dry and sunny conditions in central and northern regions. It will be hot and humid in the west of the continent. Hot, moist air will spread northward to France and the Benelux countries producing thunder storms. The heaviest showers are expected over north western France, northern Spain and south-east England. Sunshine and high clouds will mark the transition between wet and windy conditions over Ireland and sultry conditions over England and the Midlands.
Scandinavia will have unseasonably high temperatures with some cloud and a few patches of rain over the north. Eastern Europe will be dry and mostly sunny with scattered showers near the Black Sea.

Five-day forecast

The next three days will be hot with widespread afternoon thunder showers developing over western Europe. Central Europe will have widely scattered showers and high temperatures. There will be rain and more moderate temperatures over western Scandinavia and the British Isles, while eastern regions remain summer-like.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

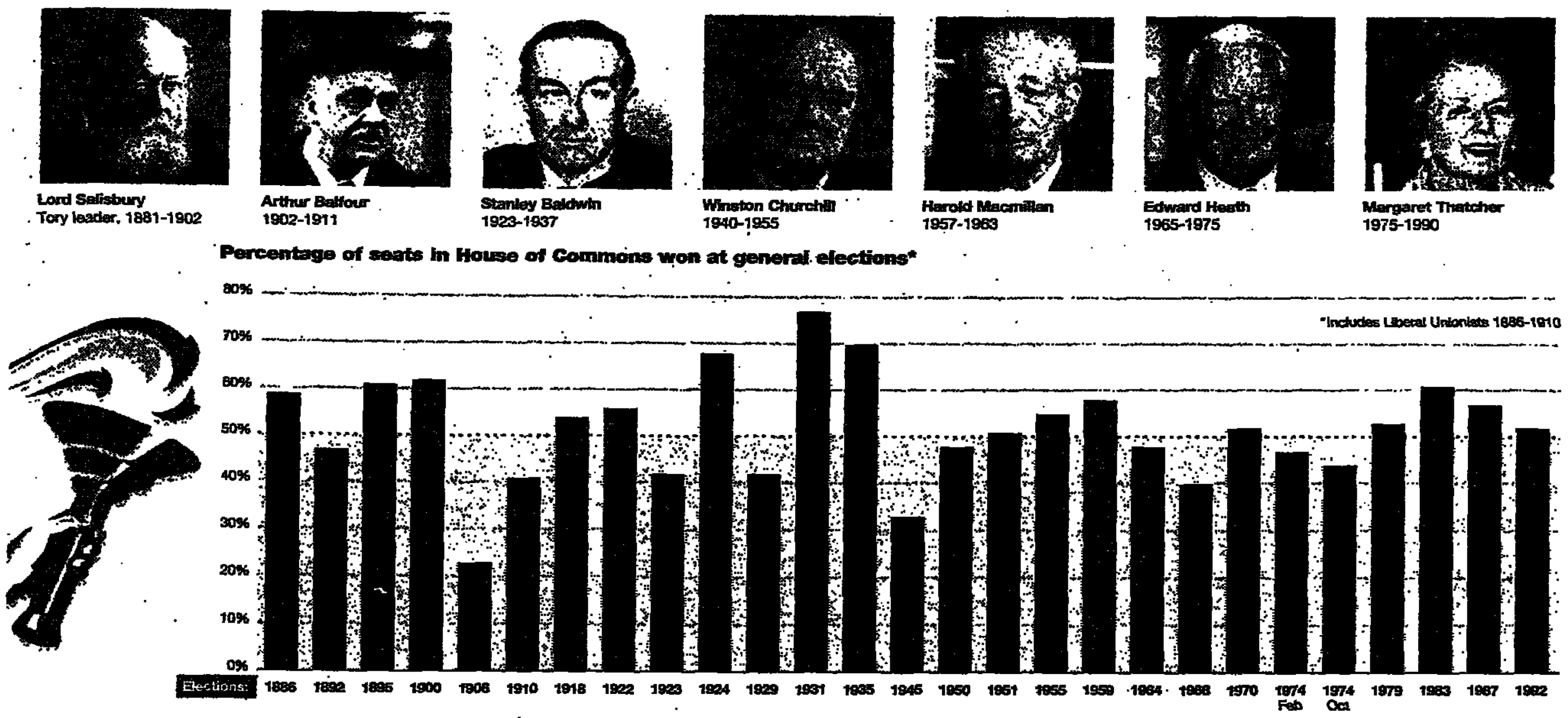
TODAY'S TEMPERATURES (Maximum Celsius)

Abu Dhabi	sun	39
Accra	fair	28
Algiers	fair	35
Amsterdam	sun	30
Athens	sun	32
Atlanta	fair	31
B. Aires	cloudy	15
B.ham	thund	26
Bangkok	thund	33
Barcelona	sun	28
Beijing	sun	34
Belfast	rain	20
Belgrade	sun	34
Berlin	sun	36
Bermuda	fair	31
Bogota	shower	18
Bombay	rain	30
Brussels	sun	33
Budapest	sun	35
C.hagen	fair	28
Cairo	sun	36
Cape Town	sun	21
Caracas	shower	26
Cardiff	thund	21
Casablanca	sun	25
Chicago	fair	30
Cologne	sun	34
Dakar	fair	29
Dallas	fair	33
Delhi	shower	31
Dubai	sun	44
Dublin	rain	20
Dubrovnik	sun	31
Edinburgh	cloudy	22
Faro	sun	27
Frankfurt	fair	34
Geneva	thund	28
Gibraltar	sun	30
Glasgow	rain	22
Hamburg	sun	32
Helsinki	sun	30
Hong Kong	thund	30
Honolulu	fair	32
Istanbul	sun	28
Jakarta	fair	30
Jersey	thund	20
Karachi	cloudy	31
Kuwait	sun	45
L. Angeles	sun	26
Las Palmas	sun	26
Lima	cloudy	18
Lisbon	shower	25
London	thund	27
Lux.bourg	sun	31
Lyon	thund	31
Madeira	sun	25
Madrid	sun	35
Majorca	sun	33
Malta	sun	32
Manchester	cloudy	25
Manila	thund	28
Melbourne	rain	13
Mexico City	fair	22
Miami	thund	32
Milan	sun	31
Montreal	rain	28
Moscow	fair	22
Munich	sun	[illegible]
Nairobi	cloudy	22
Naples	fair	32
Nassau	thund	31
New York	thund	30
Nice	fair	29
Nicosia	fair	38
Oslo	cloudy	27
Paris	fair	34
Perth	fair	17
Prague	sun	35
Rangoon	rain	29
Reykjavik	rain	15
Rio	fair	23
Rome	fair	31
S. Frsco	sun	24
Seoul	cloudy	36
Singapore	cloudy	32
Stockholm	sun	32
Strasbourg	fair	33
Sydney	shower	15
Tangier	sun	26
Tel Aviv	fair	31
Tokyo	shower	31
Toronto	fair	26
Vancouver	fair	22
Venice	fair	31
Vienna	sun	34
Warsaw	sun	35
Washington	thund	30
Wellington	shower	12
Winnipeg	fair	30
Zurich	fair	29

Weekend FT

SECTION II Weekend July 30/July 31 1994

Conservative Party popularity



John Major 1990-

England: the west's one-party state

Over the last century the Tories have ruled Britain longer than the Communists ruled Russia. ***Andrew Adonis*** *explains how they did it*

It will be interesting to be the last of the Conservatives. I foresee that will be our fate.

Such was the private prediction of Britain's longest-serving, and arguably most successful, Conservative leader of the past century. It was not Margaret Thatcher but the Marquess of Salisbury, prime minister for 13 years at the zenith of Victorian Britain's imperial power between 1885 and 1902.

No modern Tory leader, least of all Baroness Thatcher, would express such forebodings, even in private. Not in their gloomiest moods contemplating opposition to a Blair Labour government do Tories fear for the annihilation of their party. The "Canadian scenario" – the ruling Conservatives were reduced to just two seats in last year's Canadian general election – is nothing but a party game in Britain (name the two Tory MPs you would like to see survive).

The reason for this goes to the heart of contemporary English culture and politics. Since Lord Salisbury's day the Tories have, above all, been the voice of the English middle class. As that class has grown, and its values and aspirations permeated English society at large, the strength and inner self-confidence of the Tories has increased.

Not that the Tories were previously weak. The Conservative party is the oldest and most successful political party in any western democracy. It has governed Britain for 76 of the 110 years since the creation of the mass electorate in 1884 – longer than the Communists ruled Russia, but with the inconvenience of 29 free elections in between.

Why, then, do the Tories appear so adrift? John Major's failings and survival prospects have preoccupied the Westminster world since the day he succeeded Thatcher – a grey man leading a grey cabinet, dominated by uninspiring political managers whose driving ambition is to stay in office.

Some believe that the Tory malaise goes far deeper. In a recent pamphlet, John Gray, the political philosopher, argues that British Conservatism has committed suicide on the altar of free market economics. "Traditional conservatism no longer exists in Britain," he claims. "It is dead – killed off by the radical market liberalism which the Tories adopted in the late 1970s, and which has governed the policies of successive Conservative governments since that time."

The idea is appealing. Insofar as "Majorism" represents a programme, it is the dregs of Thatcherism – taking privatisation to lengths Thatcher dared not go (the railways and the Post Office), and advancing remorselessly with public sector reforms – notably in health and education – launched in the mid-1980s.

However, Gray is on shaky ground in arguing that modern Toryism is "thoroughly uncongenial to the tolerant and sceptical temper of the British electorate," and that the Conservatives are bound to reap the electoral whirlwind. The likelihood of a Tory defeat is the wisdom of the political establishment, whose horizons rarely extend beyond the latest opinion poll, by-election or leadership change. But an historical perspective puts the Tories' present predicament in a different frame.

In the first place, there is no such thing as the "British electorate". For much of the last century Scotland, Wales and (Northern) Ireland

> *'Most of the English electorate are villa Tories in lifestyle and aspirations'*

have refused to conform to the English pattern. Scotland and Wales have been markedly less Tory than England. Until the inter-war years their professional classes, never fully anglicised and more collectivist-minded, looked mainly to the Liberals for political careers. Since, the same impulses have led them to Labour.

The Tories are the English National Party. "My politics are described by one word, and that word is ENGLAND," Disraeli told his electors in 1832. Norman Tebbit's Euro-sceptics could not put it better today. "That word" has been nothing but a boon to the Tories. Although it rarely speaks its name, English nationalism is as potent a political force as its more naked counterparts on mainland Europe, and England accounts for four-fifths of the seats in the House of Commons.

Fighting the separatist tendencies of the other parties has always been a prime source of Tory ideology and morale, from Gladstone's Irish Home Rule plans of the 1880s to successive schemes for Scottish and Welsh devolution supported by Liberals, Labour and Nationalists in recent decades.

For the Conservatives it was only a short step to fighting the Brussels bureaucrats – or, at any rate, refusing to give in to them as much as the other parties. It is potentially just as popular a cause in England.

Nationalism inevitably creates problems of government. Salisbury had to govern Parnell's Ireland without too much repression. John Major cannot afford total isolation in Brussels – and when Baroness Thatcher achieved that, she had to go. Yet Tories have ever been masters at tempering visceral campaign rhetoric with compromise in office.

Moreover, Tory England is expanding England. The last 30 years have seen a sharp contraction in the manual working class, a population shift to the home counties, and an inexorable rise in home ownership.

The "salariat" comprised 18 per cent of the UK electorate in 1964; it now extends to about a third (more in England), with the proportion of home owners up from about one-third to two-thirds (ditto). Over the same period the "petty bourgeoisie" of small shopkeepers and other self-employed tradespeople, consistently the most pro-Tory of social groups, has remained a solid 10 per cent of the electorate.

England now has more actors than miners, and each parliamentary boundary review sees a redistribution of seats from the cities to the suburbs.

The Tories have long been the party of home-owning suburbans. Lord Salisbury called it "villa Toryism," and favoured single-member parliamentary seats as the best means of isolating it from less reliable – but often still pro-Tory – urban working-class districts. Most of today's English electorate are villa Tories in lifestyle and aspirations.

Villa Tories do not invariably *vote* Tory. In mid-term local and European elections they have always been liable to defect *en masse* – particularly, in southern England, to the various incarnations of the Liberal party. Since the mid-1970s the Liberal Democrats, as they have become, have garnered a sizeable vote, appealing particularly to non-metropolitan manual workers and public-sector professionals anxious for more public spending. Tony Blair's Labour party will mine the same seam.

It is important, however, to understand the strength of the Tory

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Long View/**Barry Riley**

Rates on the turn

It is now almost six months since UK short-term interest rates were controversially cut, amid disagreement between the Treasury and the Bank of England and in the immediate wake of the initial tightening of dollar rates by the US Federal Reserve.

A good deal of economic recovery and growth has flowed under the bridge since, making an early rise in UK rates look much more likely, although there was only confusion in the money markets yesterday afternoon as the Bank apparently tried to distance itself from a sudden rise in Treasury bill rates.

Any official rise confirmed at the beginning of next week – maybe of half a percentage point – would be the first after 15 consecutive cuts since the peak of the last interest rate cycle was reached at 15 per cent in 1989. No acceleration of inflation is yet visible: the latest underlying rate is no more than 2.4 per cent, and the upward pressures, when they arrive, are likely to prove modest. However, inflation can only be beaten from the front, not in arrears.

The British economy is now growing quite fast – by 3.3 per cent in the second quarter, which on past form for this stage of the economic cycle is likely to be an underestimate by the official statisticians. In such a context this week's quarterly industrial trends survey from the CBI for July upset the markets by highlighting the ingrained inflationary bias in Britain's industrial economy. Capacity utilisation is already at historically high levels; investment intentions are quite subdued.

Britain's manufacturing industry is today dominated by dogged survivors. Most of the expansionists and optimists went out of business years ago. The rest have cut capacity and slashed costs and have waited impatiently in their trenches for a revival in demand. They now plan to raise their prices and boost their profits – at least, that is the intention of a significant balance of companies surveyed by the CBI. The same message comes from a separate survey, showing a sharp rise in the purchasing managers' price index for July. There is little obvious sign of companies that intend to increase output and cut prices – outside Wapping, anyway.

If this price-based commercial strategy works it will prove inflationary. A price-led recovery would surely drag up pay, currently growing at a fairly modest 3¾ per cent. Profits are already reaching a 30-year high as a proportion of national income. More likely, the strategy will not work but will lead straight to a more potent problem – a balance of payments crisis. This is because in an open economy foreign-made imports which are *not* having their prices raised will increase their market share – and anyway, domestic supply will prove inadequate.

A strong cyclical surge in profits is built into the expectations of the stock market. The renewed weakness of the gilt-edged market this week, when the Bank of England's 300th birthday celebrations on Wednesday were slightly dampened by the disappointing response to that day's gilt auction, has undermined the valuation of equities.

For instance, the yield *ratio* between long-dated gilts and equities has widened to nearly 2.3, which is looking stretched. Moreover the real yield *gap* between equities and index-linked gilts, which normally wobbles around a positive 0.5 per cent, is slightly negative. The last time this happened was in 1987, when the reverse gap reached a full percentage point shortly before the stock market crashed in October that year.

In early 1987 expectations of growth in profits and dividends were very high – justifiably. Dividends grew by 15 per cent that year. Even so, the bubble of overvaluation soon burst. This time analysts appear to be expecting profits growth of at least 15 per cent both this year and next, with year-on-year dividend growth rising from its current 7 per cent to maybe 9 per cent – a healthy advance in real terms, assuming inflation stays low. So looking two years ahead the All-Share Index could be yielding a prospective 4.5 per cent, in which case the challenge of index-linked gilts returning 3.9 per cent real, as they now do, would look quite weak.

But the tension between the inflationary enthusiasm of the securities markets and the anti-inflationary zeal of the authorities is becoming charged. Implied inflation in the gilt market is now more than 4¼ per cent. This week the Bank of England offered straight 16-year fixed-coupon paper, which was what the market was supposedly waiting for. But the issue barely got away and bidders were immediately showing a 1.5 per cent loss.

One problem may be a shortage of domestic buying power, at a time when the foreigners are sitting on their hands. Life assurance companies, the biggest domestic buyers of gilts, have seen their new business fall away – by 20 per cent in the first half for the Prudential, by 17 per cent for Legal & General. Pension funds have very little cash flow, and can only buy gilts by selling equities.

But the more fundamental point is that this is a bad time in the cycle for bonds. When equity dividend expectations are so high a yield of even 8¼ per cent-plus on gilts seems tame. The market seems quickly to have forgotten the scare over Stephen Dorrell and his hints at extra taxes on dividends; Dorrell has anyway been reshuffled to a safe distance from the Treasury.

At some point, perhaps imminently, the Bank of England may have to seize the initiative and put short-term rates up. It has to cool down economic growth to a pace – under 3 per cent – which the capacity-constrained UK economy can handle. It will have to try to convince industry – though this will take years – that rapid, sustainable growth can only come through raising productivity and building more factories, not from jacking up margins.

The UK equity market, however, has jumped on to a time loop back to the 1980s, and is thoroughly enjoying the ride. But that time machine could generate higher interest rates too.

MARKETS

London

Fretting over whether the price is right

Andrew Bolger

How can the shares of a small grocery chain such as William Low nearly double in value within a fortnight? Easy: when Britain's biggest food retailer, J. Sainsbury, decides to change the habits of a lifetime and enter a bidding battle to prevent Tesco, its main rival, from snapping up the struggling Scottish company.

Analysts fluently reel off reasons why the majors are keen to get their hands on Wm Low: it offers a shortcut to a strong market position and distribution network in Scotland, where it is increasingly difficult to obtain planning permission for more stores.

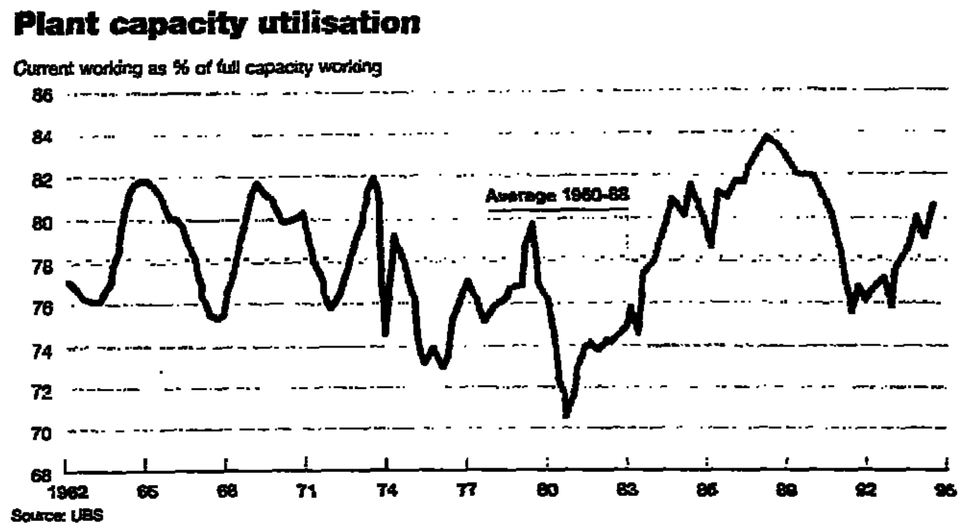
Yet a fortnight ago these strategic assets were scarcely reflected in the Dundee group's share price, which had languished as the market focused on its shrinking sales and profit margins. The episode is a useful reminder that markets must try to combine judgments of both underlying value and short-term trading performance and outlook – and how inexact the results can be.

The disparity between the current buoyancy of corporate results and increasing concern over some fundamental aspects of the UK economy explains the twitchy mood of the City, even although the FT-SE 100 index has now bounced by 206 points from its June low point of 2877.

This week Imperial Chemical Industries increased its pre-tax profits by 40 per cent and the UK's largest chemicals company hailed "the first tangible signs of a widespread recovery in our worldwide markets."

Lloyds Bank got the clearing banks' reporting season off to a solid start by confirming a sharp drop in bad debt provisions, but subdued demand for loans suggests customers will not forget the harsh lesson of recession in a hurry.

Even beleaguered BAT Industries, the tobacco and financial services group, was able to increase profits in spite of the growing backlash against smoking in the US.



Source: UBS

An important cloud overhanging the equity market was dispelled on Thursday, when the new price regime for the privatised water companies was revealed. Although the controls – known as K-factors – limit future price increases to 1 percentage point a year above inflation, analysts quickly concluded that most of the 10 privatised water and sewerage companies would be able to maintain dividend increases of 3 or 4 percentage points above inflation.

However, the City's underlying nervousness had been demonstrated the previous day, when the FT-SE 100 shed 34.9 points to drop back through the 3,100 mark. The Confederation of British Industry's quarterly industrial trends survey showed that improving exports were contributing to the fastest rise in order books for almost six years. But analysts were more concerned by indications that UK interest rates might have to be tightened sooner rather than later.

Inflationary pressures in the manufacturing sector picked up over the quarter, and relatively weak investment intentions fuelled fears that bottlenecks are developing. As the chart shows, capacity utilisation rates showed a further increase in July – and are already running well above their long-run average.

The percentage balance of firms expecting to increase their expenditure on plant and machinery over the next 12 months was plus 6 per cent in July, compared with plus 4 per cent in April, so the capacity shortfall will not be quickly made good.

The broker USB warns: "This suggests that manufacturing industry has a woefully inadequate capital base, which could act as a severe constraint on future output growth. If demand growth remains strong, it is likely to fuel rising inflationary pressures and a burgeoning current account deficit."

The CBI survey showed that most British companies have not adjusted their investment criteria for low inflation and interest rates, in spite of warnings from the government that this is stifling investment. Many companies still demand that investment projects should either yield a rate of return above 20 per cent, or pay back the investment within three years.

Companies also assume the government will not deliver its inflation promise. Their average prediction for inflation when considering investment projects is 5 per cent, compared with the government's target of bringing it below 2.5 per cent by the end of the parliament.

Eddie George, governor of the Bank of England, has cited the expectation of higher inflation as one factor that would call for tighter monetary policy.

The market again took fright yesterday afternoon, when the Bank sold short-term Treasury bills at rates of up to 5.75 per cent – half a percentage point above the level of base rates. Some traders took this as a signal that UK interest rates were about to rise and the FT-SE 100 at one point had shed 62.5 points. It recovered to close just 13.3 points down on the day, as analysts concluded that the Bank had probably not been trying to send any such signal.

However, it seems clear that concern over the timing and impact of the next rise in interest rates will continue to limit the pace of the market's advance – even if companies continue to report solid increases in profits and dividends.

Next week's quarterly bulletin is likely to emphasise the Bank's continuing hard line on inflation.

Meanwhile, this weekend one can only envy the shareholders of Wm Low, who wait to see which suitor will stuff most cash into their pockets. Investors in Sainsbury, Tesco and the other large food chains are likely to be less sanguine. The enthusiasm with which this battle has been joined suggests that even the UK's most successful food retailers now face a much tougher and more competitive future.

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1994 High	1994 Low	
FT-SE 100 Index	3082.6	-32.1	3520.3	2876.6	Interest rate nervousness
FT-SE Mid 250 Index	3640.2	+9.3	4152.8	3363.4	Bargain-hunting
BAA	953	-23	1083	880	Profit-taking
BTR	368½	-8½	401	344	Switch into Hanson advise
Bullough	157	+12	186	135	Profits recovery
Forte	231½	+7½	285	209½	Savoy bid speculation
Hall Eng.	193	+31	320	149	Squeeze
Lex Service	424	-40	573	416½	Figures below expectations
Low (Wm)	323	+58	326	138	Bid by Sainsbury
Medeva	121½	-16½	187	120	Loses patent appeal
Merrydown	124	-8	250	113	Dividend falls
Shell Transport	730	-12	755	651	Profit taking on Billiton sale
South West Water	515½	-18½	675	484	Appealing against Ofwat
Thames Water	514	+20	611	434½	Ofwat report benefits
United Biscuits	325½	+9½	388	302	Renewed bid speculation

Serious Money

Water: half full or half empty?

Gillian O'Connor, personal finance editor

This week's spurt of relief in water company shares prompts two thoughts. First, it is a classic example of investors being more worried by anticipation of bad news than by the news itself. Secondly, many water shares still look sound long term value.

Investors were – rightly – afraid that this week's new price caps for water companies (see page IV) would make it harder for the companies to continue paying out such munificent dividends. Brokers' analysts had done lots of pretty accurate sums about what regulator Ian Byatt would decide. But investors still held off until they knew for sure. Once the bogey could be viewed in plain daylight, it looked far less frightening.

Speculators who bought ahead of the review will generally have done well – but not if they bought South West, which fell because its price cap was tougher than expected. Moral, if you are going to speculate, go for a spread of shares – unless you are sure of your ground.

What matters to more serious investors is the outlook for water shares now. The sector dividend yield is more than 5.1 per cent compared with 3.8 per cent for the market. Yesterday many investors were arguing that most of the shares (but not the luckless South West) had a bit further to go short term – although prices were racing ahead as they talked. Ten per cent is probably the limit. But long term prospects make them look a solid investment.

Some analysts reckon the water companies have scope to increase dividends by over 4 per cent (inflation-adjusted) a year over the next five years. And the bigger increases may come through in the early years. Not bad, given the lack of commercial risk.

Laterally minded investors also bought regional electricity shares after the water report. That is too simplistic. There may be a case for electricity shares, but do not base it on water.

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The Great British Public is thoroughly confused by the Great British Financial services industry. People are worried that they do not understand enough about more complicated products such as personal pensions to make an intelligent choice themselves. They think it vital that a financial adviser should be strictly independent, but very hard to find such independent advice.

These are some of the findings from the National Consumer Council's new MORI survey into what people think of personal financial services. The Council describes the lack of consumer confidence as "worrying". But in many ways it is rather encouraging.

For the public is right to be puzzled by many of the "products" being sold. It is also right to be suspicious of many of the people selling those products.

Consumers have read all the stories about mis-selling of personal pensions, abysmal life insurance surrender values, and ignorant salesmen. And they understand that any salesman who is paid mainly or exclusively by commission must find it hard to give genuinely independent advice.

Hence their worry. But hence also the first stirrings of change in a minority of life insurance companies. Only this week Norwich Union switched its sales agents from commission to salaries.

If commission is the root of all evil, do not waste time persuading your sales staff to rise above it – just remove the *temptation*.

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Costs and commissions are investors' foes. Here is another example of costs at work.

Pension top-ups, cosily known as additional voluntary contributions (AVCs), may be a good idea, but you need to watch what you are contributing to.

A new survey from actuaries Watsons* confirms one long-standing worry (Weekend FT, April 9, page III). If you opt for a free-standing AVC you may well get a worse result than if you take what your employer offers. For charges are likely to be up to twice as high.

Additional contributions seldom go into the main pension scheme: they are run separately. All companies with standard pension schemes have to offer an AVC, and most employers mop up the charges of the scheme. So assuming the underlying investments produce the same stockmarket performance in both cases, the in-house AVC is bound to give a better result.

That does not, though, mean that you should opt for a company AVC regardless. It depends what the company is offering. Some merely provide building society linked schemes – which may suit people very close to retirement, but not those with several years to go.

But if your employer offers a good with-profit or unit linked scheme run by a financial company with a good record, that will probably be a better choice than a free standing scheme.

As Watsons suggests, the best of all worlds is an employer which offers its employees a choice of AVCs.

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Advertising is an alternative scapegoat for financial upsets. How about a switch to the new Russian system? Businesses can only advertise actual dividend and interest rates paid in the past. Now there is a creative challenge.

■ *The Watsons 1994 Survey is £95 from Robert Ivey, Watson House, London Rd, Reigate, Surrey, RH2 9PQ or tel: 0737-241144.*

AT A GLANCE

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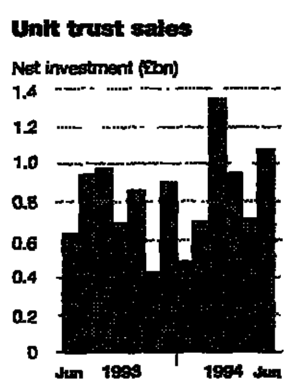

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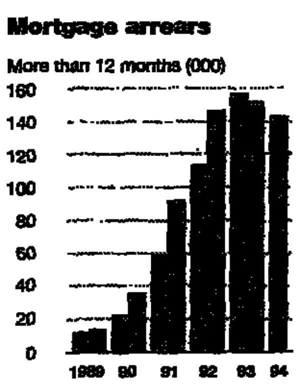


Source: CML

Best June on record for unit trust sales

Unit trusts had their best June on record, with net sales of £1.1bn – 50 per cent up on £726m in May. The June figure was almost 80 per cent higher than that for June last year, when net sales totalled £610m.

Less than half the net sales last month were to the retail sector – the lowest proportion so far this year – with the rest bought by institutions, the Association of Unit Trusts and Investment Funds said.

The best-selling sectors among retail investors were UK growth, followed by UK equity income and international growth. Net sales of unit-trust personal equity plans were £1.11bn for the second quarter, down from £1.55bn for the first quarter, which is the traditionally busy end-of-tax-year sales period.

Mortgage arrears fall

Fewer homebuyers were in arrears with their mortgages at the end of June than six months earlier: 142,230 were more than 12 months behind with payments, compared with 151,810 at the end of 1993. Shorter-term arrears also showed an improvement. But lenders warned that rumoured government plans to cut back income support payments to unemployed homeowners could lead to a resurgence of payment problems.

Norwich Union switch

Norwich Union, the big UK insurer, has switched its life and pensions sales agents from commission to salaries. In March the insurer announced that it was suspending its entire sales force for a month for retraining, after the life industry's regulator identified breakdowns in management control. Instead of being paid by commission on the policies they sell, sales agents will receive a basic annual salary of £12,000 as well as commission. The number of branch offices is to be cut from 25 to 13.

Shares-for-Peps swop easier

Investors will find it easier to exchange shares for investments in a personal equity plan as a result of a change to the Pep rules. The Inland Revenue has agreed to a suggestion that an investor can sell shares and buy them back immediately for the Pep. In the past, investors had to wait until settlement day before they could buy back shares for the Pep.

Smaller companies cheer

Smaller company shares had another more positive week. The Hoare Govett Smaller Companies Index (capital gains version) climbed 0.8 per cent to 1,652.76 over the week to July 28. It is still down 2.3 per cent since the beginning of the year, but has suffered less than the FT-SE-A All-share Index, which is down 7.8 per cent.

Wall Street

Inventories fever disperses doldrums

In the middle of the summer doldrums it usually requires something important for Wall Street traders to suddenly stop talking about the exciting issues of the day, which this week were – in no particular order – the impending baseball strike, the OJ Simpson case, and the state of Cindy Crawford's marriage.

It happened yesterday, however, and few could have guessed what it would be that so excited the traders on the floor of the New York Stock Exchange and in the dealing rooms around Wall Street. Was it a presidential scandal? No. An invasion of Haiti? Wrong. A bank collapse? Think again.

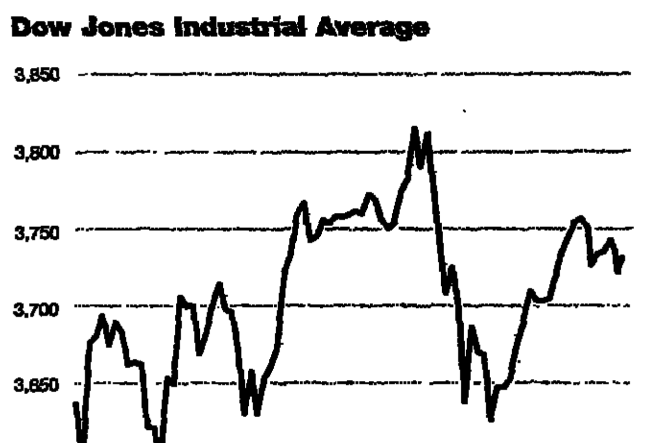
The subject of everyone's discussions on Wall Street yesterday was inventories. Or, as the economics dictionary describes them: "stocks of raw materials, work in progress and finished goods." Exciting, isn't it?

While inventories do not normally make pulses race. Wall Street economists had palpitations yesterday when the second quarter economic growth figures were released. The data showed a 3.7 per cent rise in gross domestic product between April and June, a figure that was at the bottom end of market expectations.

The real story, however, was in the inventories data. According to the Commerce Department, the value of inventories jumped $27.9bn to $58.5bn, the biggest increase in three years.

The rise was so large that it accounted for 2.2 percentage points of the 3.7 per cent gain in GDP. In other words, economic growth rose handsomely in the second quarter less because demand for goods climbed, but more because companies bought materials that never left the factory floor or produced goods that never left the shelves. In fact, demand growth was relatively weak – final sales of domestic product rose only 1.5 per cent in the quarter.

A big build-up of inventories usually means one of two things. Either, the build-up was voluntary as companies produced more goods to meet an anticipated peak in demand. Or, it was involuntary as companies were left with an unexpectedly large



Source: FT Graphite

amount of unsold goods because demand weakened. If it was the former, then it suggests that the economy will continue to grow strongly. If it was the latter, then it suggests the economy is slowing down, probably because of the recent rise in interest rates.

Which of the two factors were at work was the question everyone was asking on Wall Street. Elias Bikhazi, an economist at Deutsche Bank, asked: "Does it constitute an overhang for the second half?" John Ryding senior economist at Bear Stearns, said: "The question is, were the inventory accumulations unwanted?" And Ken Maryland of Society National Bank commented: "I've got to believe in some quarters it was unwelcome."

The bond market, typically, wasted little time worrying about what the answer might be. It decided that inventories rose in the second quarter because demand had slowed unexpectedly. This could only be good news for investors in fixed-income securities, who fear that rising economic growth will push up inflation, which undermines the value of their investments.

The rush to buy bonds in the wake of this calculation lifted the 30-year government bond almost one and a half points during the morning, and pushed the yield – a key determinant of long-term interest rates – down from 7.55 per cent to 7.41 per cent.

Share prices rallied along with bonds, the Dow Jones Industrial Average climbing 30 points as equity investors bet that the apparent slowdown in economic growth indicated by the jump in inventories would dissuade the Federal Reserve from raising interest rates again. The Fed's open market committee is due to meet on August 16, and most economists were thinking this week that it would vote to raise rates one more time. The inventories data, however, have given the economists cause to think again.

Yet, not everyone on Wall Street was convinced that the rise in inventories was good news for bonds and stocks. A few discordant voices pointed out that the bulk of the rise in inventories was at the wholesale trade level, which is largely imported products.

"That's a sign that companies are buying goods ahead of price increases," explained Mike Strauss, an economist at Yamaichi International. In other words, inventories rose not because of slower domestic demand, but because US companies were stockpiling materials and goods produced abroad before prices went up.

Strauss, however, was in a minority. For most on Wall Street, inventories were up because demand was down. This suggested interest rates probably would not go up, so bond yields should go down, and stocks up.

Patrick Harverson

Monday	3741.84 + 06.80
Tuesday	3735.68 – 06.16
Wednesday	3720.47 – 15.21
Thursday	3730.83 + 10.36
Friday	

Bottom Line

ICI finds the right chemistry

Ronnie Hampel, Imperial Chemical Industries' cheery chief executive, had rather more spring in his step than usual on Thursday.

After four years of upheaval involving a threatened takeover bid, rationalisation and restructuring, and the largest demerger in UK corporate history, Hampel could argue ICI was back on course. Pre-tax profits were up 40 per cent.

Hampel was actually rather surprised by the results. "If you'd asked me if 40 per cent was achievable even three months ago I would have said no," he confessed.

He said he had been surprised by the strong sales growth and the speed rationalisation had saved the group money.

The spectacular sales growth in the second quarter had caught him on the hop, he admitted. The increase showed "the first tangible signs of a widespread recovery in our worldwide markets. This is an increasingly robust performance from all our businesses," he said.

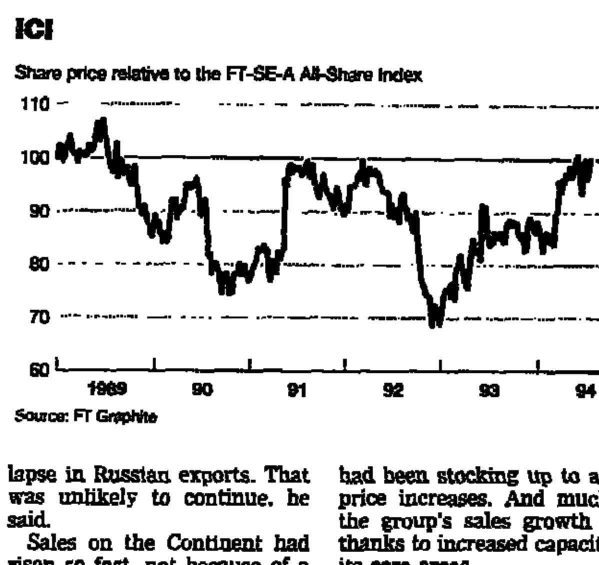
Group turnover was up an impressive 9 per cent. Continental European sales increased 10 per cent, compared with a flat first quarter, while UK sales rose 13 per cent.

The sales recovery should help ICI's profits. The company is highly geared. Once it has covered its high fixed costs, any additional revenue should quickly drop to the bottom-line.

But Hampel was cautious. Some trends were sustainable, he admitted. Prices of PVC and methanol were rising and there were clear signs of recovery around the globe.

"There's been an upturn, but not as strong as might be deduced from our figures," he stressed.

There were plenty of one-off events, he explained. The UK fertilisers business, long a drain on ICI's profits, was breaking even thanks to a col-



Source: FT Graphite

lapse in Russian exports. That was unlikely to continue, he said.

Sales on the Continent had risen so fast, not because of a marked upturn, but because US companies had been exporting less, allowing ICI to gain market share. Some customers had been stocking up to avoid price increases. And much of the group's sales growth was thanks to increased capacity in its core areas.

"The present rate of growth is clearly unsustainable," he concluded.

In addition, the cost-cutting programme, which contributed about half of the 40 per cent rise of profits, is beginning to run out of steam.

Hampel estimated that the programme had saved more than £210m during the first half, and that the savings target of £490m next year was within reach, he said. Indeed, cost-cutting had been achieved faster than expected, said Hampel. This might well have been the consequence of the demerger which had allowed managers to focus more clearly. ICI was now looking a far tighter ship.

The group would continue to look for savings, said Hampel. But analysts wonder how much more can go.

Earnings growth will increasingly have to be driven by the recovery and additional investments. The company is betting on areas where it believes it has a technological edge, such as CFC-substitutes and PET and PTA, materials for plastic bottles and polyester. It is also betting on Asia-Pacific where last year, for the first time ever, the group invested more than in the UK.

Meanwhile, the group continues to move away from commodity petrochemicals. Hampel repeated his view that ICI would never again build an ethylene plant, and would consider offers for a stake of the Teesside plant, Europe's largest ethylene plant, and fourth most efficient. The group was still looking at the possibility of selling the joint-venture PVC business.

ICI's strategy looks sound. Its focus since the demerger is undoubtedly tighter. The outlook seems good. The problem for investors is that ICI's shares have outperformed the London stock market by 13 per cent since the beginning of the year. Those holding the shares should hang on. Those without have, for moment, missed the boat.

Paul Abrahams

Key to a cheap M-reg

***Bethan Hutton** explains that you save money if you do not own your car*

This August, record numbers of new cars are expected to be driven away from showrooms by people who do not own them.

Britain is not about to suffer an upsurge of car crime. Many of this year's M-reg cars will be acquired by consumers using personal contract purchase (PCP) schemes, which allow you to drive off in a new car every two or three years, without ever paying the entire cost.

PCP is the fastest-growing way of buying a new car. Ford introduced its Options plan in 1990, and says it expects Options purchases to account for more than half its sales within two years. All the big manufacturers have their own versions, together with some finance houses which run schemes for dealerships.

From September, Midland plans to operate the first independent PCP scheme aimed at consumers. It will offer holders of Midland credit cards a telephone-based scheme operated by its car finance subsidiary, Swan National, which can be used to finance any make of car.

All PCP schemes work in roughly the same way:

■ Dealer and customer agree a price – for example, £13,581 for a Vauxhall Cavalier 1.8 GLS.

■ Customer pays a deposit or trades in another car – eg 30 per cent deposit on the Cavalier (£4,074) leaves a balance of £9,507.

■ Dealer works out a "future value" – what the car is expected to be worth second-hand at the end of the agreement, which can last between one and four years. The Cavalier should have a residual value of £5,839 after two years.

■ Customer makes monthly payments composed of interest on the whole balance, plus repayments of the difference between the car's price (less deposit) and the future value – £3,668 in the Cavalier's case. Payments are £214 a month for two years, at an APR of 9.7 per cent.

■ At the end of the agreement, the customer can choose to: pay the balance (the "future value"), and own the car outright; hand back the keys and walk away, having, in effect, hired the car for a few years; or swap the car for a new one, using any excess over the predicted future value as a deposit. Most drivers take the last option.

The attraction of PCP is that monthly payments are lower than with a straight loan or hire purchase, where you repay the entire cost of the car over the term of the agreement.

If you want to use PCP to roll over to a new car every few years, it is important to pick a car with a high resale value. With PCP, you pay for the depreciation plus interest, never the residual value. Monthly payments could be lower with a more expensive car which keeps its value well, rather than a cheaper car which depreciates rapidly. Midland says it will be able to give independent advice on precisely that.

The most important factor in the amount you pay is probably not the car's price or its future value, but the interest rate.

Take the example of an identical Ford Mondeo GLX 1.8, bought using Ford's own Options scheme, or Midland's new Carchoice. Ford estimates the on-the-road price at £14,160, and the future value at £6,385 after two years. Midland's figures are a similar, £14,084 and £6,636 respectively.

But based on a 30 per cent deposit and mileage of 12,000 a year, the monthly repayments work out very different, at £250 with the Options plan, and £175 with Midland. This is mainly due to the different APRs: 15.8 per cent with Ford, and 5.8 per cent with Midland. All the savings you bargain so hard for can be wiped out by an extra few percentage points on the APR.

As the table illustrates, even among six of the best car loans available from high-street names, the total repaid on a £5,000 loan can vary by as much as £242. So finding the right finance deal can save you even more money than finding the lowest-priced car.

PCP is not the right choice for everyone. It is usually available only on new cars, or sometimes those up to two or three years old. If you want to buy a car outright, it may not be convenient to have to pay a large lump sum after two or three years. Agreed future values only apply if the car is in good condition, and has kept within certain mileage limits – usually 6,000 to 12,000 miles a year.

At this time of year, banks and building societies trumpet their discounts and offers on personal loans to attract car buyers. Do not ignore the finance offered by car dealers. There are 0 per cent finance offers around, though you usually need to make a 50 per cent deposit and pay the balance over 12 months.

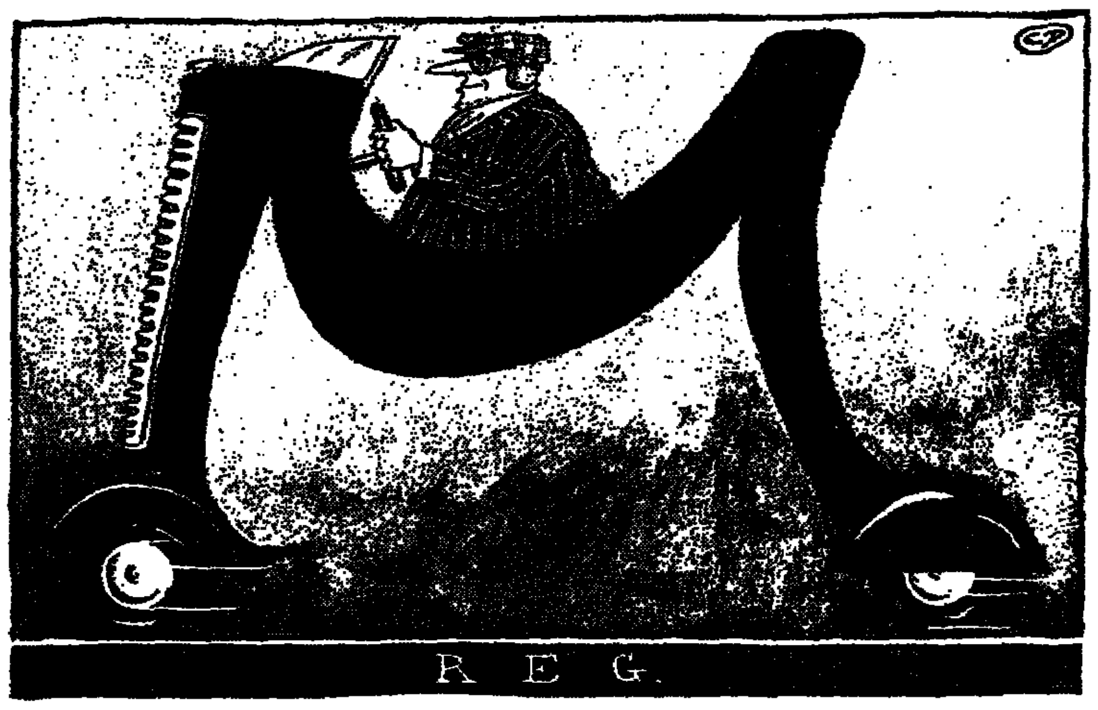
Neil Tomkin of Lombard North Central, a large finance house, says it is a myth that buyers with cash from a personal loan have more bargaining power to push down the price of a new car.

Dealers' margins have shrunk, leaving them less room for manoeuvre, but Tomkin argues that buyers may actually get a better deal on a car if they take the dealer's own credit. The dealer earns commission on the finance as well as the car, and could possibly afford to trim the car's price a little more.

Best of the high street car loans

Lender	Monthly payment	Total payable	APR	Notes
Abbey National	£170.60	£6141.60	14.8%	A
Alliance & Leicester	£170.60	£6141.60	14.8%	A B
Bank of Scotland	£168.85	£6178.60	14.6%	C
Halifax	£177.32	£6383.52	17.9%	D
Midland	£172.96	£6226.56	15.9%	E
TSB	£172.97	£6226.92	15.9%	F

Source: Moneyfacts (for details see page VI). Examples are for loans of £5,000 over 3 years, without insurance. A: Direct Debit repayments only. B: Promotional car loan rate until September 1994. C: Fee of 2%. Promotional car loan rate until August 31. D: Specific incentives available for car loans. E: Rate includes discount on all loans until September 30. F: Rate includes 2% discount until August 3



Action group enters fray

***Scheherazade Daneshkhu and Barbara Ellis** on Knight Williams*

The battle lines are drawn between Knight Williams, one of the UK's largest independent financial advisers, selling mainly to the retired, and its most disgruntled customers, the Knight Williams Investors Action Group.

The field is also strewn with MPs, the Treasury, the Consumers' Association, the Securities and Investments Board which is the chief regulator for financial services, and Fimbra, the self-regulating body for independent financial advisers.

What is it all about?

The MPs, who include Sir David Steel, the former Liberal leader, last week tabled an all-party early day motion in the House of Commons. It read: "This house is concerned by the number of complaints received from constituents, many of them retired people, who are dissatisfied at the service they have received from Knight Williams which has resulted in constituents suffering varying degrees of loss. It is also concerned about the apparent inability of the Sib and Fimbra to bring full light to bear on the subject and urges the government to institute a thorough inquiry into the whole matter."

The action group has submitted an analysis of 125 complaints to the Treasury.

What does KW say?

It has accused three of the MPs – John Gunnell, Sir Anthony Grant and Sir Geoffrey Johnson Smith – of having vested interests in signing the early-day motion, because of their links respectively with Yorkshire Fund managers, Barclays Bank and Eagle Star. It says these are competitors which could view KW as a "potential acquisition".

What is their response?

Eagle Star: "The concept of being in competition with KW is a very fanciful notion – we are chalk and cheese." Barclays: "We don't see ourselves as competitors of KW and it is mischievous to suggest that."

What are investors' complaints?

The action group is giving no details because it does not want KW to "pick people off one by one." However, KW has been the subject of considerable press criticism. *Which?*, the Consumer Association's monthly magazine, has run case studies involving accusations of inappropriate investments, "churning" – encouraging customers to sell their investments needlessly and buy KW funds to earn the adviser commission – and of lack of independence. Its target market, the elderly, is seen as very vulnerable to abuse.

Charges on its unit trusts are the highest in the industry with an initial charge of 6.39 per cent and an annual charge of 2.5 per cent.

What is KW's reply?

It says some customers panicked and sold after world markets fell in the aftermath of the 1990 Iraqi invasion of Kuwait but that those who stayed with KW have more than made good their losses.

It also says that complaints are small compared to its customer base of 24,000; of the 218 Fimbra-registered complaints, it has been found at fault in 21. However, Fimbra suggested that it strengthen its compliance function with an appointment which had Fimbra's approval. KW recently appointed Colin Pinnell, formerly head of legal services at Fimbra, to oversee its legal and compliance department.

KW says its charges are not high when you compare them to the discretionary portfolio management service of any broker. More than 80 per cent of its customers are put into its funds.

I thought you said it was an IFA?

Under the current rules, an IFA (and many stockbrokers are IFAs) can run in-house funds and advise their clients to invest in them. Fimbra is meant to monitor any potential conflict of interest. KW, which used to pay its advisers higher commission for selling KW funds than others, stopped this last year and, since March, says it has put its 120 or so advisers on salaries.

It says that since it gets other investment houses (including James Capel, Gerrard Vivian Gray, Mercury, Lazard, Schroder and Baring), to manage the funds in a way similar to broker bond funds, it fulfils its role as an IFA.

What are broker bonds?

With a broker bond fund, clients' money is invested in life insurance funds and unit trusts. The idea is that the intermediary can switch cheaply between companies to catch the best sectors.

The Sib nearly outlawed broker funds in 1990 because of a potential conflict of interest for the intermediary, worries about investment performance and double charging – the investor pays the fund manager and the intermediary.

Surely what matters in the end is investment performance?

Yes, but high annual charges eat into a greater proportion of a fund's return. The table shows the performance of Knight Williams' largest fund, Global Income and Growth, with about £300m. Its performance is not out of line with the average broker life fund but it has been beaten by the FT-A World Index and the average unit and investment trust (apart from over one year, when KW beat the average unit trust). Over five years, a building society investment would have proved more profitable.

See Page VI

Knight Williams' performance

Investment	1 year £	3 years £	4 years £	5 years £
KW Global Inc & Gwth	108.3	125.5	125.2	132.0
Av broker life fund	103.8	122.6	126.0	135.1
Av building society	102.9	114.0	124.0	135.3
FT-A World Index	109.4	144.0	147.9	139.9
Av unit trust	106.3	137.4	137.1	143.2
Av investment trust	114.0	145.7	148.3	151.5
FT-SE-A All-Share	112.0	148.2	152.7	168.3
UK retail price index	102.6	107.9	114.1	125.3

Source: Micropal. The table shows the value of an £100 investment. Figures run from July 1 one year to July 25 the next for each period. Offer to bid, net income reinvested; other figures are net of basic rate tax, where applicable. The investment trust figure does not include costs.

Water shares offer stable income on tap

Peggy Hollinger on what the new price regime means for investors

Water investors should be feeling rather pleased following the announcement this week of a new price regime for the UK's 31 water and sewerage companies.

While the industry regulator has set tougher price limits for the companies, he has managed to leave enough leeway on average to give better returns to shareholders than those expected just a week ago.

Ian Byatt, director-general of the Office of Water Services (Ofwat), has set the price increases for the next 10 years at an average 1 percentage point above inflation – a formula known as the K factor. This compares with an average 5 per cent a year since privatisation in 1989.

The increase has been heavily weighted towards the first five years, with an average K of 1.4 for 1995-2000 falling to 0.4 to 2005. This is when companies will need the highest price rises to fund the vast capital spending programme necessary to bring the industry up to EU standards. Byatt's tougher approach on the second five years is certain to be the subject of another review in 1999, rendering those figures almost irrelevant.

While the price limits for 1995 to 2000 fall roughly in the middle of analysts' expectations, Byatt's trick was to reduce substantially the capital spending burden faced by water companies. Instead of the £16bn which they had realistically expected – although this was not what they told the regulator in their submissions – Byatt's negotiations with the government brought the figure down to £14bn.

The reduction is due both to deferring some spending and squeezing budgets for elements such as population growth.

Ofwat's pronouncements were greeted as tough but fair by nine of the 10 water and sewerage companies. The one exception is South West Water, which has enjoyed a K factor of 11.5 for the last three years due to the vast amount of spending it faces to clean up its extensive coastline.

To almost universal surprise, South West was given a K of just 1.5 for 1995 and 1 for 1996-2000 on the back of virtually halved capital expenditure. The group, which argues Byatt has not allowed enough capital spending to fund future obligations, is challenging his decision at the Monopolies and Mergers Commission.

Nevertheless, the other water companies were relieved. Indeed, companies such as Thames Water – widely regarded to have been given more stringent targets – were confident of achieving what they called "satisfactory returns to shareholders".

Analysts define "satisfactory" as dividend growth approaching an annual rate of 4 per cent above inflation for the sector as a whole, against expectations before the review of 3 per cent.

The price review's findings make the sector look much more attractive in terms of returning a stable income. Some analysts question, however, whether investors should get over-excited about the sector's prospects. "You have to ask whether it will out-perform the market over the next few months," says Mr Bill Dale, an analyst with S G Warburg Securities. While the equity market will be driven by recovery, the risks such as increasing environmental legislation continue to affect water shares.

The case for water investment becomes stronger when looking at individual companies. Following the review, they can be placed in four categories:

■ The Winners – Anglian and Southern. Both have been given high K factors relative to their capital spend. Anglian's K factor was in line with estimates, but the capital spend has been sharply cut from a forecast £1.95bn to £1.4bn. Southern also comes up trumps with a K factor at the top end of the range and authorised commitments at £1.2bn – bang in the middle of expectations.

■ Second Place – North West, Severn Trent, Northumbrian, Welsh. North West, identified as one of the most efficient companies on water and waste, is already boasting about having beaten Byatt's efficiency target of 1 per cent cost savings a year.

Severn Trent, which is not heavily exposed to the expensive coastal clean-up legislation, got a decent K of 0.5, on squeezed capital expenditure of £1.9bn. Northumbrian is confident it can live with the tough targets it has been set, even though rated by Byatt as one of the least efficient on water and sewerage services. Although Welsh was given a positive K of 0.5 against expectations of a negative number, it still has tough efficiency targets. Nevertheless it has a strong balance sheet.

■ Rest of the pack – Wessex, Thames and Yorkshire. Wessex received a K roughly in line with expectations at 1.5 and was slightly squeezed on spending with capital expenditure of £500m. Yet increasingly the future of this company will depend on its waste management business.

Thames and Yorkshire appear to have been given challenging targets.

■ Left behind – South West Water. It is pointless to consider the K of 0.5 given to South West until the MMC has a chance to examine Byatt's reasoning.

K-Day for the UK water companies

Water sector

Relative to the All-Share (FT-SE-A Indices)

Source: FT Graphite

Companies are permitted to increase charges on average by RPI plus limit shown

COMPANY	K-FACTOR	PROFITS & YIELDS		PERFORMANCE SINCE FLOTATION IN 1989		
Water & Sewerage	Actual price limits (1996-2001) %	Pre tax profits £m	Dividend yield %	Compound annual earnings per share growth %	Compound annual dividend per share growth %	Share price relative to sector %
Anglian	1.5	132.2	5.19	8.90	10.49	-2.47
Northumbrian	2.5	82.8	4.84	1.62	11.01	11.39
Northwest	2.5	269.0	5.21	12.25	10.10	-1.76
Severn Trent	0.5	281.4	4.97	8.55	11.16	1.61
Southern	4.0	127.5	4.91	10.95	11.40	4.48
South West	1.5*	93.0	6.17	2.34	10.03	-8.16
Thames	0.5	241.7	5.46	10.84	10.48	-6.42
Welsh	0.5	144.2	4.98	10.93	10.89	13.34
Wessex	1.5	103.3	4.56	10.11	11.51	16.66
Yorkshire	2.5	143.5	5.13	9.97	10.31	-1.23
WEIGHTED AVERAGE	1.5	169.9	5.16	8.10	10.60	

*1.0 from 1997-98

Sources: Company accounts, Datastream, OFWAT

New Issues

Pillar Property Investments is coming to the market valued at £169.7m. Set up by British Aerospace and financial backers as a vulture fund to prey on quality properties in 1991, it has Raymond Mould and Patrick Vaughan as chairman and chief executive respectively.

Mould and Vaughan know about timing – they sold Arlington Securities, the property company they founded, to BAe for £278m in 1989. It was this expertise which led them to take the helm at Pillar.

A total of 60m shares at 150p have been placed with institutions, with 15m subject to clawback for the public offer. This represents only a 5 per cent discount to the group's net asset value. The price is full, reflecting the quality of Pillar's £352m portfolio.

Applications must be in by August 5 and dealing will begin on August 15. BZW underwrote the offer.

Week ahead

First half results from British Petroleum, due on Tuesday, are expected to show that the company remains on track to improve profitability and reduce debt. Second quarter earnings on a replacement cost basis are predicted to be in a range of £230m-£300m. BP should also benefit from the recovery in crude oil prices, which have risen from a low last February of around $12 a barrel for the benchmark Brent Blend to the present level of more than $18.

Improvements in contract hire and coach distribution at T Cowie are expected to lift interim pre-tax profits at the vehicle leasing and motor trading group by about 27 per cent, due on Tuesday. The rise to nearly £20m is likely to be fuelled mainly by the finance division, dominated by Cowie Interleasing.

Opinions are divided on Harrisons & Crosfield, the conglomerate which reports interims on Wednesday. The split follows the mixed trading statement in May, which stressed a continuing malaise in the pig industry but a good performance from UK timber. Forecasts range from £45m to £55m, against £48.4m last time.

T Cowie

Share price relative to the FT-SE-A All-Share Index

Source: FT Graphite

Wickes, DIY retailer, is forecast to announce a doubling of interim profits on Wednesday from £4.1m to between £8m and £9m before tax.

TI Group, the specialist engineering company, is expected to report interim pre-tax profits of up to £70m, against £62.8m, on Thursday. The increase is likely to be dominated by Bundy, the automotive and refrigeration tubing business.

On Monday Abbey National, the home loans and banking group, announces its interim results. Analysts' forecasts for pre-tax profits range from £400m to £440m, well ahead of the £301m announced last year. There is more disagreement about the interim dividend, with forecasts varying from 4.6p to 5.6p, against 4.15p.

On Tuesday, National Westminster Bank is expected to report first-half pre-tax profits of £600m-£727m. The lowest estimate for the interim dividend puts it at 6.4p per share – the same as last year – the highest is for 7.5p.

Directors' Transactions

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Austin Reed	RetG	65,300	148,884	1*
Delyn Group	PP&P	20,000	17,600	1
Granada Group	L&HI	145,000	778,650	1
London Scottish Bank	OthF	42,300	47,799	2
Marks & Spencer	RetG	15,170	65,383	2
RIT Capital Partners	InvT	225,000	396,000	1
Sainsbury (J)	RetF	35,467	139,563	1
PURCHASES				
3i	InvT	217,733	592,234	5
BCE Holdings (Pens trust)	L&HI	135,000	13,163	1
Bentalls	RetG	9,000	10,080	1
Boustead	EngV	50,000	14,000	1
Brown (N) Group	RetG	238,000	556,920	1
Carpetright	RetG	20,000	48,200	1
Christie Group	OthF	20,000	12,000	1
Dewhirst Group	Text	30,000	39,000	1
El Oro Mining	n/a	10,000	57,500	1
Greene King	Brew	15,000	70,350	1
Herald Invst Trust (Warrant)	InvT	50,000	20,000	1
Inveresk	PP&P	24,000	38,400	3
Johnston Group	BM&M	10,000	26,700	1
McKay Securities	Prop	14,755	26,707	1
Mercury Asset Man.	OthF	10,000	61,400	1
Mezzanine Capital#	InvT	30,000	74,700	1
Oceonics	OilE	272,000	13,600	3
Protean plc	Eng	5,000	10,050	1
Quality Care Homes plc	Hlth	6,239	14,662	1
Stirling Group	Text	24,300	12,879	2
Watson & Philip	RetF	3,650	13,578	2

Value expressed in £000s. #Capital shares. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange July 11-15 1994.
Source: Directus Ltd, The Inside Track, Edinburgh

Retail sales

The beginning of the week was marked by a high level of selling in blue chip retailing companies. David Quarmby, one of the joint managing directors of J Sainsbury, sold more than 35,000 shares at 393.5p, a total reduction of 27 per cent from his existing holding.

At Marks and Spencer, Andrew Stone sold more than 13,000 shares, a 15 per cent reduction.

The largest sale of the week was not in a retailer, but at Granada Group. Charles Allen, who heads up the television operations, sold 145,000 shares at 537p. The company said the sale had been made to fund the purchase of a house, but we note that the period of outperformance that the stock has enjoyed over the past year, appears to be ending.

Nigel Alliance is already a substantial shareholder in N Brown Group, home catalogue retailing company. His stake accounts for more than 12 per cent. Last summer he sold a considerable amount of stock: 800,000 shares around the 190p mark after adjusting for the one-for-one rights issue announced in the middle of July. Since then he has been buying stock: 238,000 shares around the 231p mark.

Johnston Group is a tightly-held stock in which family interests account for almost 50 per cent of the equity. The last time Michael Johnston bought stock was more than a year ago around the 114p mark. Since then, the company's stock has outperformed the market by 70 per cent and analysts forecast results moving from loss to profit this year.

Vivien MacDonald,
The Inside Track

RESULTS DUE

Company	Sector	Anncmnt due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS					
Andrew Sykes	B&C	Monday	1.4	3.0	-
Abbey	B&C	Thursday	7.7	4.15	9.85
BCE Holdings	Can	Wednesday	-	-	-
Brandon Hire	B&C	Monday	-	-	-
Crest Packaging	PP&P	Thursday	-	-	-
Crown Eyeglass	n/a	Tuesday	2.5	4.5	3.0
Dunton Group	B&C	Monday	-	-	-
Edinburgh Small Cos Trust	InTr	Tuesday	-	-	-
Ewart	Prop	Tuesday	-	-	0.4
Firth (GM) Holdings	Eng	Thursday	-	-	-
Scott Pickford	OilE	Tuesday	-	0.8	-
TR Smaller Co's Inv Tst	InTr	Monday	1.5	2.3	1.5
Westport Group	B&C	Thursday	-	-	-
Whinney Mackay-Lewis	Prop	Thursday	-	-	-
Williamson Tea Hldgs	n/a	Thursday	10.0	12.5	10.0
Wholesale Fittings	Dist	Friday	3.23	8.47	3.23
INTERIM DIVIDENDS					
Abbey National	Bank	Monday	4.15	9.85	-
Allied Irish Banks	Bank	Thursday	-	-	-
Anglo & Overseas Tst	InTr	Thursday	1.75	5.4	-
British Alcan Aluminium	n/a	Friday	-	-	-
British Petroleum	Oil	Tuesday♦	2.1	2.1	-
Beta Global Emerging Mkts	InTr	Tuesday	-	-	-
Caverdale Group	EngV	Monday	-	0.15	-
Corporate Services Grp	SpSv	Monday	-	0.25	-
Cowie Group	Dist	Tuesday	2.35	5.5	-
Edinburgh New Tiger Tst	InTr	Tuesday	-	-	-
Fairway Group	PP&P	Wednesday	1.1	2.25	-
Fidelity Japanese Values	InTr	Friday	-	-	-
Finsbury Smaller Co's Trust	InTr	Wednesday	1.1	1.4	-
French Property Trust	InTr	Friday	-	1.4	-
Friends Provident Ethical Inv	InTr	Thursday	-	-	-
Gartmore Emerging Pac Inv	InTr	Monday	-	0.17	-
Glynwed International	Eng	Thursday	4.15	7.6	-
Gold Fields Prop Co	ExtI	Tuesday	-	-	-
Govett & Co	InTr	Monday	-	-	-
Edinburgh New Tiger Tst	InTr	Tuesday	-	-	-
Halkin Holdings	n/a	Wednesday	-	-	-
Harrisons & Crosfield	Divl	Wednesday	3.6	5.4	-
Hiscox Select Ins Fd	Ins	Monday	-	-	-
Holmes Protection Grp	SpSv	Tuesday	-	-	-
Investment Trust of Guernsey	InTr	Friday	0.65	1.283	-
Ivory & Sime Isis Tst	InTr	Thursday	-	-	-
Johnson Second Fry Utl	InTr	Friday	-	-	-
Kleinwort Benson Group	MrBk	Thursday	6.0	12.5	-
Law Debenture Corp	InTr	Tuesday	6.5	12.75	-
Lincoln House	HseG	Wednesday	-	-	-
Nat West Bank	Bank	Tuesday	6.4	12.1	-
Newmarket Venture Cap	InTr	Tuesday	-	-	-
Ransomes	Eng	Wednesday	-	-	-
Rotork	Eng	Thursday	1.75	2.5	-
Seacon Holdings	Tran	Monday	2.3	3.4	-
TI Group	Eng	Thursday	3.85	7.4	-
TR Pacific Inv Tst	InTr	Tuesday	-	0.35	-
Trencherwood	Prop	Wednesday	-	-	-
Wholesale Fittings	Dist	Friday	3.23	8.47	-
Wickes	BdMa	Wednesday	0.2	0.6	-
Yorkshire Chemicals	Chem	Tuesday	2.6	5.5	-
Zeneca	Phrm	Thursday‡‡	10.5	17.0	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results. ‡‡ 1st quarterly. ♦ 2nd quarterly. ★ 3rd Quarterly

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
Prices in pence unless otherwise indicated					
Bredero Props.	10*	10	15	3.70	Slough Estates
Castle Comms.	360*	353	340	24.50	ACE Holdings
Chiltern Radio	242*	265	205	16.90	CLT
Davenport Vernon	167	156	113	32.30	Evans Halshaw
Great Southern	600*	627	475	71.11	Service Corp Int
Do. Prf.	238*	235	180	16.29	Service Corp Int
Low (Wm)	225*	324	168	200.00	Tesco
NMC ‡	159§§	156	159	113.00	Britton
Scholes	250*	248	193	98.10	Hanson
Spear (J.W)	1100*§	740	740	48.90	Hasbro
Spear (J.W.)	1000*	740	740	52.00	Mattel
Towles	265*	288	243	4.22	London City
Trans World	181	168	173	70.80	EMAP

*All cash offer. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 29/7/94. §§Shares and cash.

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Adam & Harvey	Dist	Mar¶	5,700	(4,900)	77.6	(54.2)	18.5	(-)
Ascot Holdings	Brew	Mar	6,880 L	(79,580 L)	-	(-)	-	(-)
Banks (Sidney C)	FdMa	Apr	3,420	(2,870)	25.7	(22.5)	8.75	(8.0)
Black Arrow	OtSv	Mar	1,600	(2,030)	4.16	(5.02)	2.6	(2.6)
Dale Electric	E&EE	May	4,150 L	(1,340)	-	(8.66)	1.0	(5.1)
Dalepak Foods	FdMa	Apr	514	(2,210)	3.71	(13.0)	1.5	(6.0)
Dyson (J&J)	BdMa	Mar	1,230	(807)	6.7	(9.46)	3.5	(5.0)
Fleming Emrg Mkts Inv	InTr	Jun†	175.4	(137.6)	-	(0.34)	-	(-)
Gibbs Mew	Brew	Apr	3,060	(1,040)	33.51	(15.33)	8.76	(7.5)
Harmony Property	Prop	Mar	455 L	(2,130 L)	-	(-)	-	(-)
IMC Industries	LeH	Apr	364	(377)	0.16	(0.17)	-	(-)
Marling Inds	Text	Mar	743	(9,600 L)	0.13	(-)	0.77	(0.69)
Menvier Swain	E&EE	Apr	9,360	(7,620)	12.94	(11.37)	4.2	(3.67)
Merrydown	SW&C	Mar	2,800 L	(1,700)	-	(13.03)	2.5	(7.0)
Mileys	SpSv	May	18,600	(15,100)	31.9	(26.8)	8.06	(7.01)
Mitie	n/a	Mar	3,380	(2,400)	17.1	(13.3)	4.5	(3.5)
Murray Smaller Mkts	InTr	May†	478.9	(344.8)	4.52	(4.65)	4.37	(4.2)
Natwest Smaller Co's	InTr	Jun‡	114.77	(100.69)	4.32	(3.4)	3.0	(3.0)
PEX Group	Dist	Jan	2,170 L	(385)	-	(3.13)	-	(-)
Prior	Prop	Mar	1,950	(347)	1.23	(0.61)	-	(-)
Rubicon	Eng	May	2,250	(1,220)	9.1	(7.5)	4.6	(4.0)
Shield	Hlth	Mar	1,240 L	(425 L)	-	(-)	-	(-)
Stagecoach	Tran	Apr	18,900	(12,900)	10.3	(8.3)	4.1	(-)
Unitech	E&EE	May	19,800	(10,500)	12.9	(7.3)	6.56	(6.1)
Verson International	Eng	Jan	8,190 L	(10,100 L)	-	(-)	-	(-)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Admiral	SpSv	Jun	3,200	(2,190)	2.5	(2.0)
Allied Textile	Text	Mar	6,800	(5,300)	4.8	(4.6)
Ayrshire Metal	n/a	Jun	782	(572)	1.25	(-)
BAT	Tob	Jun	848,000	(802,000)	8.5	(7.9)
Baring Tribune Inv	InTr	Jun‡	367.6	(338.37)	1.7	(1.7)
British Telecom	Tele	Jun§§	781,000	(757,000)	-	(-)
Bullough	Eng	Apr	7,130	(50)	1.75	(1.75)
Capita Group	SpSv	Jun	2,710	(2,040)	1.1	(0.85)
Chieftain Group	BdMa	Jun	203	(461 L)	1.5	(1.5)
Continental Assets	InTr	Jun†	233.4	(229.2)	-	(-)
Contra Cyclical	InTr	Jun‡	48.3	(47.8)	2.25	(2.25)
Danka	E&EE	Jun§§	10,300	(6,000)	-	(-)
Derby Tst	InTr	Jun‡	437.0	(421.0)	7.1	(6.3)
European Assets Tst	InTr	Jun†	329.2	(351.2)	0.08‡	(0.08‡)
Geared Inc Inv	InTr	Jun†§§	99.25	(88.1)	1.6	(1.5)
Greenfriar Inv Co	InTr	Jun‡	444.7	(435.0)	2.2	(2.15)
Greggs	ReFd	Jun¥	3,860	(2,890)	7.0	(6.0)
ICI	Chem	mun	240,000	(353,000)	10.5	(10.5)
John I Jacobs	Tran	Jun	58	(46)	0.25	(-)
Johnson Fry Hldgs	InTr	Jun	2,250	(31,100 L)	-	(-)
Lex Service	Dist	Jun	29,700	(81,800)	5.6	(4.7)
Lloyds Abbey Life	LfAs	Jun	171,500	(152,500)	6.8	(6.3)
M&G Dual Trust	InTr	Jun†	£2814	(£2668)	30.55	(30.55)
Millgate	n/a	May	303	(455)	0.5	(-)
Motor World	EngV	May	1,760	(1,460)	2.5	(2.3)
Murray Split Cap Tst	InTr	May¥★	665	(615)	2.85	(2.85)
Premier Health	Hlth	Jun	618	(1,210 L)	-	(-)
Ramsden's (Harry)	LeH	Apr	102	(88)	1.0	(1.0)
Reuters	Med	Jun	245,000	(215,000)	1.9	(1.55)
Rights & Issues	InTr	Jun†	521.9	(545.7)	2.5	(2.4)
Shandwick	Med	Apr	2,470	(1,730)	0.48	(-)
Smaller Co's Inv	InTr	Jun‡	136.87	(134.65)	1.2	(1.2)
Spargo	n/a	Jun	606	(272)	1.6	(-)
Specialeyes	Hlth	May§	167 L	(333 L)	-	(-)
Sphere Inv Tst	InTr	Jun‡	44.19	(36.74)	1.6	(1.5)
Standard Platform	SpSv	Mar	38 L	(353 L)	-	(-)
Temple Bar Inv Tst	InTr	Jun†	331.97	(304.17)	4.7	(4.6)
Witan Inv Co	InTr	Jun‡	242.5	(227.2)	2.7	(2.7)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. † Net asset value per share. ‡‡ Irish Punts and pence. ♦ US Dollars and Cents. ★ 9 month figures. §§ 9 month figures. ¥ Figure as at December year end. ‡ Dutch guilders. § Figures for 24 weeks. ¶ Net revenue. ♥ Foreign Income dividend.

RIGHTS ISSUES

Gibbs Mew is to raise £13.6m via a 2 - 3 rights issue @ 400p.

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Filofax is to raise £3.8m via a placing of 2m shares at 186p.
Jermyn Inv is to raise £13m via a placing & open offer.
Pillar is coming to the market via a flotation of appx. £170m.
Ryland is coming to the market via a flotation of appx. £30m.

FINANCE AND THE FAMILY

Drive down your car insurance bill

***Joanna Slaughter** explains why most people are paying less*

Competition, better underwriting and fewer thefts have been good news for drivers. Over the past year, some motor insurance premiums have fallen by between 5 and 10 per cent, according to Mark Wood, managing director of the Automobile Association's insurance and financial services.

He says: "The absolute incidence of motor crime reduced very sharply in 1993 and there has been a massive number of new market entrants, both from continental Europe and new start-up operations. Traditional insurers have been reducing prices and the new direct writers are paying to build up a position in the market."

Direct insurers sell their policies over the telephone, cutting out middlemen, and probably account for around a third of the market. One of them, Direct Line, is the largest motor insurer in the UK.

The irony is that although they started out as niche players, they now tend to occupy the middle ground, leaving the niches to the conventional insurance companies.

Michael Edwards, deputy managing director of The Insurance Service – the direct insurance arm of Royal Insurance – says much of the cross-subsidy between good and bad risks has been eliminated due to changes in underwriting techniques in recent years. Inevitably, though, this has not benefited everyone.

The virtual end of the 60-year-old knock-for-knock agreement – under which insurers agreed to pay claims presented by their policyholders irrespective of their responsibility for an accident – means that comprehensive drivers are no longer subsidising third-party risks.

Many young drivers who had been shielded by their parents' insurance have been hit hard, too. A survey in the latest edition of *Which?*, the Consumers' Association magazine, shows that the cost of a policy for a man with an expensive car, whose wife and son are also covered, has almost tripled over the past two years.

Young drivers with high-value cars who arrange cover in their own names are likely to find this very expensive. I asked three direct insurance companies and three brokers to give quotations for a 24-year-old journalist with one speeding conviction who was seeking comprehensive insurance for the first time on a 1992 Ford Escort XR3I. One quotation was to be based on a south London post code, the other on a post code in Norfolk.

Direct Line, Churchill and The Insurance Service would not cover either risk. AA Insurance quoted £4,355 (in London) and £3,282 (in Norfolk), with a £175 compulsory excess. Telesure, the UK's first telebroking company, produced rates of £3,508 (London) and £2,647 (Norfolk), but with a £350 excess. And Swinton quoted £4,086 (London) and £2,884 (Norfolk), with a £600 excess.

Many young drivers cut costs by taking third party – the legal minimum protection – instead of comprehensive cover. Simon Ward, Telesure's managing director, says this would cut the cost for the south London driver to £1,705.

Costs also fall when young motorists have established a no-claims driving record. If the south London driver had completed four years without a claim, the AA would have quoted a premium of £1,742.

No insurance company is a best buy for every risk, and drivers should not accept the first quotation offered. Direct insurers tend to be around 10 per cent cheaper on many standard risks but are unlikely to offer cover to drivers who own high-value cars or who live in a high-risk area.

Edwards says his company will not quote on 10 to 12 per cent of motorists. But Telesure scans 150 schemes from 32 insurers, and Ward believes it can quote for 99 per cent of the motorists who come to it. Meanwhile, James Duffell of Norwich Union – a broker-orientated company which does not have a direct arm, says: "We are much better for hot hatches, younger drivers and executive cars."

Like other insurers, Norwich also has such "extras" as standard breakdown cover for women and older drivers; no loading for un-garaged cars; and a limited mileage policy that brings down costs for the occasional driver.

Although direct insurers are often the cheapest for the "average" motorist, this is not always the case. Insurance brokers gave seven out of the 21 lowest quotes, according to *Which?*

The tables show the 15 most competitive quotations obtained by the Consumers' Association for a typical family car – in this case, a four-year old Rover 820SE garaged overnight. The policy covers a 45-year-old manager of a printing company (with a full licence and 25 years' driving experience) and his wife. The driver has a full no-claims driving record, no accidents, claims or convictions, and drives to work.

The *Which?* survey revealed huge premium variations, even for this standard cover. While Swinton – a broker – quoted £219 for the lowest-risk area, five insurers charged more than £500. Similarly, the cost of cover at The Insurance Service for the highest-risk area was £395, but premiums with the five dearest insurers topped £1,000. The Pearl charged a staggering £2,431.

What to look for in an insurer

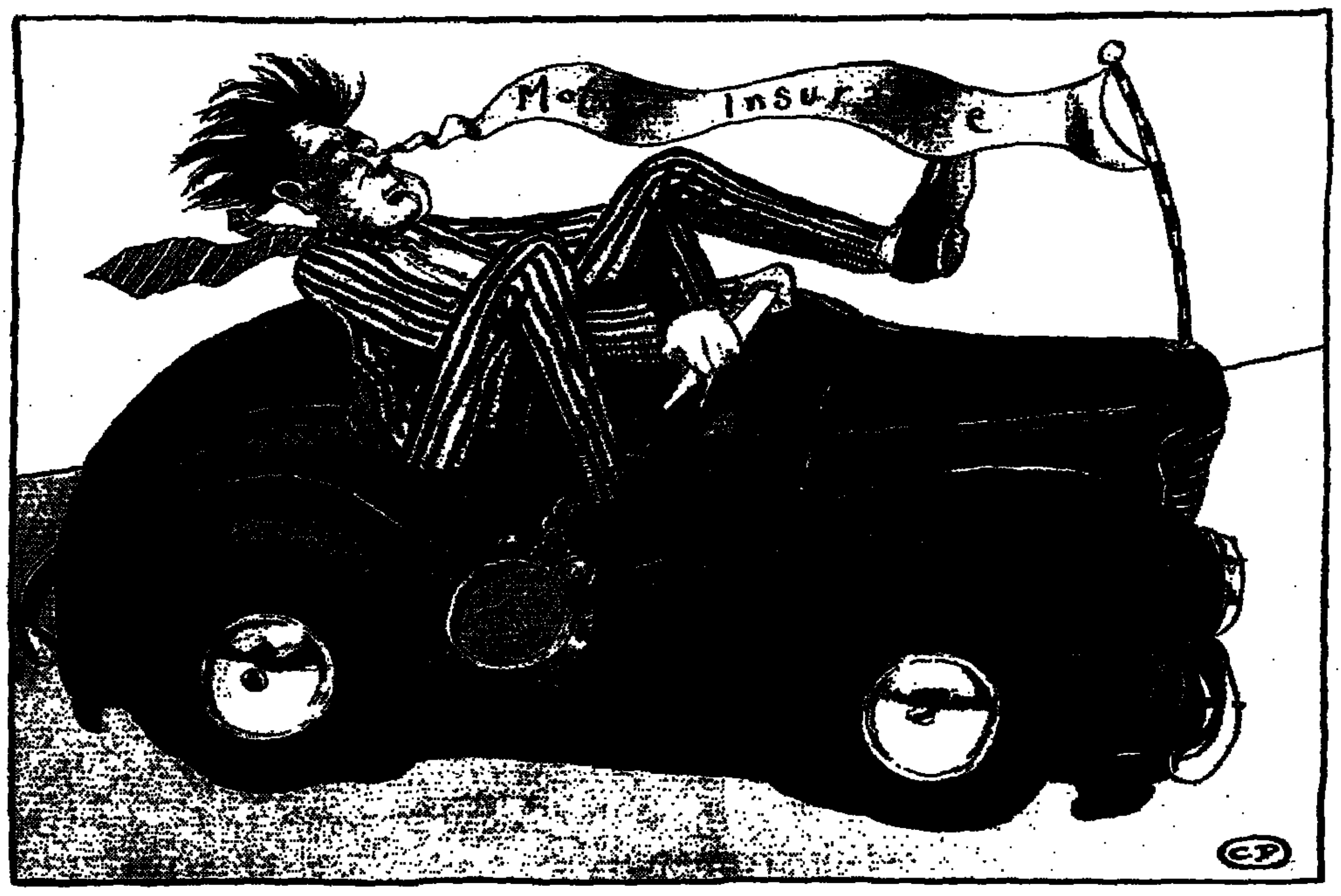
A number of factors are taken into account in the calculation of car insurance premiums, including the type of business the underwriting company wants to attract. But while motorists cannot change their age, place of residence or occupation, or even build a garage, simply to satisfy an insurance company, there are ways to cut insurance costs.

- Restrict the cover to named drivers, particularly if only you and your spouse drive the car – this can cut costs by more than a third.
- Fit a security system. But make sure the system you pick is approved by insurers before it is installed.
- Agree to a larger voluntary excess. Paying the first £100, £500 or more of every claim could reduce premiums considerably.
- Settle for third party, fire and theft rather than a comprehensive policy if you have a low-value car.
- If you are a member of a union, or other professional or voluntary organisation, or work for a large company, ask whether it has a group discount scheme with a particular insurer.
- Special deals can be found for many categories of driver. Different insurers offer lower rates or tailor-made policies for women, the over 50s, public sector employees, or drivers with a low annual mileage.
- Cars more than 10 years old could be insured under a "classic car" policy, which is often cheaper but usually involves mileage limits.
- If you have more than one car, some insurers will offer discounts when you insure them all together, on the basis that you can only drive one car at a time.

Motor insurance is sold in so many ways that drivers can find it difficult to know where to look. Should they start by telephoning a direct insurer or a centralised broker, or make their first port of call the traditional high-street broker?

Wood says: "Direct insurers pile it high and sell it cheap. But consumers should look at the excesses; look at what is covered and not covered; and ask a serious number of questions. Of course you should get a quotation from a direct writer, but you should also ring an insurance broker."

Price is not the only consideration, says Wood. "If you have a claim, you have an advocate with the insurance company if you have a broker. If you are with a direct insurer you have to negotiate with the company by yourself."



Best insurance buys for lowest risk areas

Provider	Premium £	Excess £	Type of provider
Swinton	219	150	Intermediary
The Ins. Service	228	75	Direct ins.co
Jardine	233	100	Intermediary
Countrywide	236	150	Intermediary
Bradford Pennine	249	100	Insurance co
Endsleigh	271	50	Intermediary
The Leeds	275	100	Intermediary
AGF	276	50	Insurance co
Bain Clarkson	279	100	Intermediary
C E Heath	282	100	Intermediary
MT	286	75	Insurance co
Orion	290	100	Insurance co
AA	292	100	Intermediary
Direct Line	293	50	Direct ins co
Ibex	297	100	Insurance co

Source: Consumers' Association

Best insurance buys for highest risk areas

Provider	Premium £	Excess £	Type of provider
The Ins. Service	395	75	Direct ins co
Countrywide	434	300	Intermediary
MT	466	75	Insurance co
Jardine	474	100	Intermediary
AA	491	100	Intermediary
Swinton	507	-	Intermediary
Eagle Star Direct	511	50	Direct ins co
Independent	517	50	Insurance co
Direct Line	521	50	Direct ins.co
Link	526	200	Insurance co
Frizell	537	50	Intermediary
Endsleigh	537	50	Intermediary
The Service	537	50	Insurance co
C E Heath	545	100	Intermediary
Bank of Scotland	550	-	Intermediary

Source: Consumers' Association

FINANCE AND THE FAMILY

'Smug and greedy trusts'

The spotlight has been on the life industry debate over the disclosure of charges. From next year, life companies will have to reveal to private investors the amount of commission they pay to financial advisers for selling their products.

Unit trusts, which also pay commission to financial intermediaries have so far escaped the same scrutiny. However, a prominent figure in the unit trust industry, Tim Miller of Portfolio Fund Management, believes that Britain's unit trusts are smug and greedy and need to change radically if they are ever to become mass-market investments.

Miller used to be marketing director at M&G, the UK's largest unit trust group, after being managing director of Framlington unit trusts. He believes that a clear explanation of the risks, rewards and costs involved is the key to attracting a broader public.

A working party of the Securities and Investments Board, the financial services watchdog, is studying disclosure of unit trust commissions and charges. Miller, who used to serve on it, says it could help both investors and the industry by recommending that unit trusts adopt the style of disclosure used in the US mutual fund industry. This would mean showing the effect of charges over different periods of time using a standard growth rate of 5 per cent for total return but not distinguishing between income and capital growth.

"For many years, the unit trust industry has preened itself in comparison with life companies because of the transparency and apparent low level of its charges. But I think we may have been deluding ourselves," says Miller.

The typical unit trust makes charges of 6 per cent initially and 1.25 per cent annually, adding up to 31 percentage points over 20 years. This is more than twice the total of 13.25 percentage points over 20 years which was the limit in force before deregulation in 1979.

The dubious honour of running the highest-charging unit trust goes to Fimbra member Knight Williams, according to the Association of Unit Trusts and Investment Funds. Four of KW's in-house trusts charge 6.39 per cent initially and 2.5 per cent annually, making a 20-year total of 56.39 percentage points – more than four times the pre-deregulation level.

The accompanying table

Why unit trusts must change if they are to have wider appeal

shows a selection of low-charging unit trusts with minimum investment levels low enough for personal investors.

Money market funds carry the lowest charges, followed by index-trackers – unit trusts which mirror the performance of a stock market index.

Although unit trust managers already have to declare initial and annual charges, Miller says investors find the long-term effect of these apparently small numbers hard to grasp.

Part of the reason is that, until recently, high charges have been masked by long-term rates of return of between 10 and 15 per cent a year.

An annual charge of 1.25 per cent would knock 8 per cent off a 15 per cent return but it would demolish 25 per cent from a 5 per cent return.

"The US system makes charging policies crystal clear and the result is widespread competition on charges," said Miller, who suggests that applying the US system in Britain could help unit trusts gain investor-confidence and increase their share of the savings market from the current 3 per cent to something more like the 17 to 20 per cent savings market share of American mutual funds.

The leading exponent of low-cost funds in the US is Vanguard group of Valley Forge, Pennsylvania, now ranked second to Fidelity in size, having climbed from $7bn assets under management in 1983 to around $114bn. (In the same time, Fidelity grew from $20bn under management to $221bn.)

Vanguard charges 0.4 per cent annually on equity funds against an industry average of 1.34 per cent, and 0.26 per cent on bond funds against an industry average of 0.65 per cent.

Last year, a comparison by Morningstar Inc., the Chicago-based financial services and information firm, found that Vanguard's bond funds had averaged an annual return of 11.32 per cent over the past 10 years against Fidelity's 10.83 per cent, allowing for charges and expenses. Over five years, Vanguard's return on bond funds was 11.23 per cent against Fidelity's 9.9 per cent.

But Fidelity was ahead on equity funds which had produced an average return of 14.01 per cent over 10 years and 16.23 per cent over five years, against Vanguard's 10.83 per cent and 12.52 per cent averages for the same periods.

Jack Bogle, chairman of Vanguard, is also a believer in the concept that a randomly-selected portfolio of stocks often performs as well or better than stocks picked by professional fund managers.

"Under good and bad management alike, a fund provides a gross return that is reduced, dollar for dollar, by the cost incurred in its ownership," he wrote in a book published in the US (*Bogle on Mutual Funds*, Irwin). "All other things being equal, lower costs mean higher returns."

Barbara Ellis

LOW CHARGE EQUITY FUNDS

Fund	Minimum investment	Charges % initial	Charges % annual	1 yr	rank	3 yrs	rank	5 yrs	rank
UK EQUITY GROWTH									
Fleming Growth	10,000	0	1.5	96.80	10	125.20	83	148.57	15
Lazard UK Capital	5,000	0	1.0	103.44	26	130.55	57	311.77	32
Murray UK Growth	500	1	1.5	100.55	52	118.81	106	129.19	50
Sector avg/no. of funds				99.92	143	131.43	131	127.47	118
UK EQUITY GENERAL									
Fleming Capital	10,000	0	1.5	102.02	20	120.03	76	121.25	63
Gartmore UK index	5,000	0	0.5	103.12	11	135.28	20	153.36	4
Lazard Income & Growth	5,000	0	1.0	104.69	5	135.63	18	139.29	26
Sector avg/no. of funds				98.64	111	127.43	95	132.69	80
UK EQUITY INCOME									
Fleming Income	10,000	0	1.5	104.32	14	126.08	54	116.91	88
Lazard UK Income	5,000	0	1.0	104.47	13	136.06	23	154.49	5
Murray Equity Income	500	1	1.5	99.98	43	122.63	72	131.93	49
Sector avg/no. of funds				99.78	104	127.96	101	132.64	94
UK SMALLERS COS									
Aberforth UK Smaller cos.	6,000	0	0.8	108.81	20	159.51	17	-	
Dimensional UK Smaller cos.	5,000	0	0.4	109.49	18	147.86	29	109.54	28
Lazard Smaller cos. Growth	5,000	0	1.5	107.02	25	165.18	12	139.64	6
Murray Smaller cos.	500	1	1.5	108.77	19	174.72	8	108.74	34
Sector avg/no. of funds				106.53	66	149.03	60	116.52	52
UK BALANCED									
Cazenove Utility & Bond	3,000	0.2	0.5	104.21	2	-		-	
Sector avg/no. of funds				99.93	43				
INTERNATIONAL BALANCED									
MW Joint Investors Balanced	10,000	0	1.5	109.79	2	130.98	10	-	
Sector avg/no. of funds				101.09	25	131.66	19		

Source: Autif, Micropal, unit trust groups. The table shows the performance of £100 invested to July 1 1994 (offer to bid, net income reinvested).

The Professionals

A discreet lifting of the skirt

***Joanna Slaughter** visits Cazenove in a series on private client investment managers*

Discretion is of prime importance in the private client department of stockbroker Cazenove & Co, so much so that the firm's partners decline to be quoted by name in the press. As a spokesman says: "We have never advertised. But we must occasionally raise our profile."

Cazenove's most public piece of profile-raising was probably the launch of its unit trust subsidiary seven years ago, which one partner described as "Cazenove lifting its skirts a little". The skirt-lifting was designed to provide the firm with a shop-window. The holdings in the core trust, the Cazenove Portfolio Fund, which has a minimum investment of £5,000, replicate those of a typical private client portfolio.

The private client division of Cazenove Fund Management uses unit trusts where appropriate – a spokesman reckons a portfolio needs to be worth some £1m before it justifies a direct investment in individual overseas stocks – but its fund managers will not necessarily choose the house collective funds for clients.

Cazenove & Co is an independent partnership, wholly-owned by its 60 partners, and Cazenove Private Client Portfolio Management acts in an agency capacity on behalf of its clients.

Four partners oversee the private client department, and 15 managers look after clients' portfolios, assisted by nine deputies.

All new clients are interviewed by a partner, who assesses their investment requirements, and places them with the fund manager most suited to them.

Private clients come from partners' families and friends, from the families of companies that Cazenove has brought to the public, and from personal introductions from solicitors and other advisers. Cazenove accepts new clients only on a discretionary basis and they must use the firm's safe custody arrangements.

There are no fixed fees. Clients pay a sliding scale of commission and a 0.1 per cent safe custody fee. Cazenove robustly defends its adherence to traditional charging practices, arguing that a fixed annual fee "encourages you to do nothing for a client. We think commission is fairer to clients."

Portfolio valuations that are sent to private clients, show the performance on the first page; every transaction is itemised; and the client is provided with an income audit trail.

The house investment style is described as "international and equity-orientated, tending to the conservative, with a little spice here and there".

The private client fund managers aim to create strong diversified equity portfolios, and they have access to the research and resources of the whole firm. The Cazenove UK investment research department follows some 350 companies, and Cazenove's position as a corporate broker provides a ring-side seat for new and smaller companies.

Cazenove is broker to 51 companies in the FT-SE 100 share index, thus providing private client managers with opportunities to meet these managements. The firm has offices in North America, Europe, Japan, South East Asia, Australia and South Africa, which feed macro-economic and corporate information to the UK fund managers.

The managers looking after private clients have a daily briefing from Cazenove & Co, whose research department provides a list of recommended stocks, but there is no compulsion to buy these.

The conclusions of the asset allocation committee, which meets every three months, are tailored for each portfolio, in line with client requirements. Currently the recommended private client portfolio weighting is 51 per cent in UK equities, 6 per cent in Europe, 5 per cent in Japan, 5 per cent in the Far East, 3 per cent in the US and 1 per cent in emerging markets. The remaining 29 per cent is in cash and index-linked gilts.

The figure for cash is historically high but Cazenove has been cautious for some time, partly due to uncertainties surrounding US interest rates and the expectation that UK interest rates have bottomed out.

Cazenove is uncommon is imposing no minimum investment, and there is a huge variation in the size of the private client portfolios. Sums of less than £100,000 are likely to be directed to the unit trust subsidiary but the spokesman says: "We think it is quite inappropriate to have a minimum investment written in stone. A young member of a family is not going to be turned away, if he has only £50,000."

Investment managers: factfile 6

Cazenove
(Cazenove Fund Management)
Established: 1823

Regulator: SFA

Number of offices in UK: Three (London, Salisbury, Jersey)

Number of offices worldwide: 9

Funds under management: £3bn (private clients); £8bn (total)

Number of UK private clients: 3,000

Number of expatriate/foreign national private clients: 150

Minimum investment for private clients: No rigid rules

Current asset allocation for private clients: UK equities, 51%; overseas equities, 20%; fixed-interest (cash, index-linked) 29%

Average annual portfolio turnover: 30%

Fees: Discretionary clients, sliding commission plus 0.1% safe custody charge

Lower fixed rates

Fixed-rate investment accounts continue to be withdrawn or reduced and new fixed rates are for shorter terms and at lower rates than of late.

New three-year fixed rates have been launched by Chelsea paying 7.75 per cent yearly or 7.49 per cent monthly. Yorkshire is paying 8.00 per cent yearly or 7.75 per cent monthly, which is currently the best rate on offer although lower than the 8.50 per cent over four years it was offering earlier in the week.

The trend continues through to Guaranteed Income Bonds. While the top five-year rate remains at 7.75 per cent net from Eurolife, the majority of institutions have reduced their long-term rates in recent weeks. However, shorter-term rates of one year have been increased by Liberty Life and AIG Life. The latter has also introduced a two-year bond for the first time, with market leading rates.

The building societies now seem to be concentrating their efforts on the authorised overdraft front. Halifax started the trend in June by announcing a reduction in its authorised overdraft rate from July 1 to an effective annual rate (EAR) of 12.4 per cent.

This was soon leapfrogged by Abbey National which reduced its rate to 9.9 per cent EAR. The Woolwich BS and Alliance & Leicester have since reduced their rates – down to 9.8 per cent EAR and 9.5 per cent EAR respectively. Rates will also be down at the Nationwide from August 1 to 11.5 per cent EAR (or 8.74 per cent if you have a Nationwide mortgage). Britannia will also be reducing its authorised rate to 12.02 per cent EAR, although the £5 per month arrangement fee remains.

Christine Bayliss,
Investment Editor, Moneyfacts

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs						
Birmingham Midshires BS	First Class	0845 720721	Postal	£500	5.00%	Yly
Bradford & Bingley BS	Direct Premium	0345 248248	Postal	£1,000	5.40%	Yly
Skipton BS	3 High Street	0756 700511	Instant	£2,000	6.10%	Yly
Nottingham BS	Post Direct	0602 481444	Postal	£25,000	6.60%	Yly
NOTICE A/cs and BONDS						
Exeter Bank	9 Day Call	0392 50635	9 Day	£1,000	6.00%	Mly
City & Metropolitan BS	Super 60	081 464 0814	60 Day	£10,000	6.40%	Yly
National Counties BS	90 Day	0372 742211	90 Day	£50,000	7.15%	Yly
Yorkshire BS	Fixed Rate Bond	0800 378836	30.9.97	£5,000	8.00%F	Yly
MONTHLY INTEREST						
Britannia BS	Capital Trust	0538 391741	Postal	£2,000	5.37%	Mly
Confederation Bank	Monthly Income	0438 744500	30 Day	£2,000	5.85%	Mly
Scarborough BS	Scarborough 94	0800 590578	90 Day	£25,000	6.75%B	Mly
Bristol & West BS	Fixed Bond	0272 294271	5 Year	£5,000	8.25%F	Mly
TESSAs (Tax Free)						
Confederation Bank		0438 744500	5 Year	£8,900	8.00%F	Yly
Hinckley & Rugby BS		0455 251234	5 Year	£3,000A	7.35%	Yly
Melton Mowbray BS		0664 63937	5 Year	£1	7.20%	Yly
Nottingham BS		0602 481444	5 Year	£1	7.15%	Yly
HIGH INTEREST CHEQUE A/cs (Gross)						
Halifax BS	Asset Reserve	0422 335333	Instant	£5,000	4.50%	Qly
Caledonian Bank	HICA	031 556 8235	Instant	£1	4.75%	Yly
Chelsea BS	Classic Postal	0800 717515	Instant	£2,500	6.00%	Yly
				£25,000	6.25%	Yly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey Ltd	International	0481 715735	Instant	£500	5.75%	Yly
Portman Channel Islands	Instant Gold	0481 822747	Instant	£20,000	6.20%	Yly
Confederation Bank (Jrsy)	Flexible Inv	0534 608060	60 Day	£25,000	6.80%	½Yly
Confederation Bank (Jrsy)	Investment Cert	0534 608060	5 Year	£10,000	8.25%F	Yly
GUARANTEED INCOME BONDS (Net)						
Liberty Life		081 440 8210	1 Year	£2,000	4.90%F	Yly
AIG Life		081 680 7172	2 Year	£50,000	5.65%F	Yly
Consolidated Life		081 940 8343	3 Year	£2,000	6.50%F	Yly
Consolidated Life		081 940 8343	4 Year	£2,000	7.00%F	Yly
Eurolife		071 454 0105	5 Year	£10,000	7.75%F	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	5.25%G	Yly
	Income Bonds		3 Month	£2,000	6.50%H	Mly
	Capital Bonds H		5 Year	£100	7.25%F	OM
	First Option Bond		12 Month	£1,000	6.00%FI	Yly
	Pensioners GIB		5 Year	£500	7.00%F	Mly
NAT SAVINGS CERTIFICATES (Tax Free)						
	41st Issue		5 Year	£100	5.40%F	OM
	7th Index Linked		5 Year	£100	3.00%F +Infln	OM
	Childrens Bond F		5 Year	£25	7.35%F	OM

This table covers major banks and Building Societies only. All rates (except those under heading Guaranteed Income Bonds) are shown Gross. F = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N= Net Rate. P= By Post only. A= Feeder account also required. B= 7 day loss of interest on all withdrawals. G= 5.75 per cent on £500 and above; 6 per cent on £25,000 and above. H= 6.75 per cent on £25,000 and above. I= 6.40 per cent on £20,000 and above.
Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD. Readers can obtain an introductory copy by phoning 0692 500677.

FINANCE AND THE FAMILY / SMALL BUSINESS

Questions of life and Aids

An HIV test may still signify high risk in spite of a new ruling, says ***Debbie Harrison***

The tough discrimination policy of UK life offices against people who have been tested for the HIV virus, which is thought to cause Aids, was apparently relaxed this week and should lead to rate cuts for life assurance policies and endowment mortgages.

But insurers may still regard those who have sought the test as high risk. Although the information would not be on the proposal form, it is readily available from applicants' GPs.

The controversial questions on HIV testing, introduced in 1987, asked if the applicant had ever had a test for HIV or sexually transmitted diseases. The Association of British Insurers this week said that insurers should withdraw this question and instead ask if the applicant has ever had a positive test result or undergone treatment for HIV or sexually transmitted diseases. The ABI said it was prepared to change the wording because Aids-related claims since 1987 – estimated at £50m – were much lower than expected.

Men and women who voluntarily sought the HIV test were classed as high risk and either had to pay much higher premiums or in some cases were refused cover. In 1988, when insurers' fears about Aids-related claims reached fever pitch, premiums for young single men rocketed, whether or not they had been tested. In that year the premium for an Allied Dunbar 10-year convertible-term assurance policy with a sum assured of £100,000 for a 30-year-old man rose from £8.16 to £22.16 per month – an increase of 270 per cent.

The same year Scottish Life doubled its monthly premium rates for younger men while Friends Provident rates rose by 180 per cent.

The ABI says it expects some insurers to reduce these inflated rates now that the need for large reserves was less critical. Shopping around for the best value is still essential. Allied Dunbar now charges £14.80 for the policy mentioned above and existing policyholders benefit from the reduction, as well as new applicants.

Although you no longer need to answer the question on the life insurance form asking whether you have had an HIV test, do not expect the company to tell you that unasked. Our straw poll of companies the day after the ABI announcement showed that most were uncertain about what they would do to implement the change.

"Our underwriters will accept a questionnaire from an applicant who has scored through the HIV/Aids questions," said Clerical Medical, but they have not yet decided how salesmen should approach the subject. Abbey Life will be sending a circular to its salesmen and they can meanwhile refer questions back to head office.

Legal & General plans to reconvene its Aids working party, and with charming candour said that the speed of its own reaction would depend on whether the competition seemed to be moving faster.

Even when insurers produce new forms which drop the question about Aids-testing, they will still be able to find out whether you have had an Aids-test from your GP's medical records. Ivan Massow, an independent financial adviser who specialises in insurance for gay men, said: "GPs naturally will ask tested patients about their sexual history and number of partners and this will go on file. All this information will be available to the insurers."

Every life insurance proposal form asks for permission to contact the prospective client's GP – a practice condoned by the British Medical Association (BMA) provided the patient has given consent. "People have no choice on the matter. You simply cannot get life assurance if you refuse permission. A handful of GPs do not co-operate with insurers' requests but most willingly oblige. With this right of access, insurers don't need to rely on the proposal form – they can find out anyway," said Massow.

Massow urged those who, for peace of mind, want an HIV test to continue to use sexually transmitted diseases clinics where confidentially is protected by criminal law.

The entrepreneurial touch: Melissa Woolf started by selling T-shirts from a rucksack. Now she owns eight shops in Prague Anthony Robinson

Private life in Prague

Anthony Robinson *on a couple who found a gold lining in the velvet revolution*

Shortly after Prague's "velvet revolution" of November 1989 an enterprising Welsh bride, and her chartered accountant husband, started hawking brightly coloured T-shirts from a rucksack to the first tourists to this baroque jewel of a city.

Four years later, Melissa Woolf runs eight strategically-placed "Melissa" stores along the city's main tourist routes. She still hangs T-shirts from racks on the whitewashed walls of her shops. But her main business, worth more than £2m last year, is selling Czech toys and exquisite Bohemian glassware.

Her husband, James, has become one of Prague's biggest property developers. His company, Flow East, refurbished 60 city centre properties last year, turning crowded flats into smart offices and apartments and buying new homes for former tenants in the suburbs.

The Woolfs came to Prague in 1990. They were unimpressed by the prospects in recession-hit Britain and intrigued by media coverage of enthusiastic crowds milling in squares of baroque beauty and the possibilities offered in a post-communist state. They found the opportunities the opening-up of a centrally planned economy presented for service industries such as tourism, retailing and property development. Their entrepreneurial flair and willingness to work a seven-day week has allowed both to build successful businesses.

"I now employ 117 people full-time. I visit every shop at least once a day and spend two or three days a week on the road talking to suppliers and placing orders," says Melissa. She buys what she likes, and when she really takes a fancy to a product, such as the wooden puzzle toys on display in her shop on the approach to the historic Charles Bridge, she buys a stake in the company.

James helps with the accounts and the property transactions. But apart from that, the two run their business lives separately.

James works from offices in his own refurbished building close to the city centre shared with tenants as varied as Saatchi and Saatchi, the German Tourist agency, two banks and lots of lawyers.

"I started operating on the principle that incoming foreign companies and local entrepreneurs would want to locate themselves in the heart of this beautiful but long-neglected city," he says.

"After investing heavily up front, however, most foreign companies are cutting back on expensive expatriate employees and training locals. They also expect rents and other expenses to be paid out of local income while the supply of refurbished office space is increasing all the time. So rentals have stabilised over," he says.

Prague, he points out, is as big as a medium-sized British provincial city, such as Ipswich. But Ipswich, and similar towns in western Europe, developed on capitalist lines after the war.

Prague in 1990 was different. Once-elegant shops, apartments and other properties were stolen from their owners, either by the Nazis after 1938, or by the communists after the Prague coup of 1948. Most were roughly converted into over-crowded communal flats, storehouses and the like, or allowed to decay for 50 years.

One of the priorities of the Czech republic's free market-oriented government has been to return as much property as possible to rightful owners and sell state property. But the task is complicated. To whom, for example, should a property expropriated from a Jewish owner by the Nazis, then sold and later confiscated by the communists, be returned?

So James decided to buy only fully restituted properties with a clear owner. Once bought, his next problem is persuading tenants with low fixed rents to leave.

For most life in the city centre means over-crowded, badly-maintained flats. James employs a small staff to comb local newspapers for property in the suburbs. James then buys on behalf of tenants who thus become owners of their own homes – leaving him the empty buildings.

"The property market here is about buying, refurbishing and renting. A resale market has not emerged yet, but it will," he says.

Until capital value can be unlocked by resale, cashflow profit is ploughed back into the business. It is a similar story for Melissa, whose company has no debt and is financed from retained earnings.

"We have three Czech construction companies working for us full time and the quality of their output is rising steadily. Many are Yugoslavs or Russians. They work seven days a week, nights as well if required," James says. "It takes only six to seven weeks to convert a flat in Prague which would take three to four months in London."

James looks after the legal and financial side of the business. His partner, Stephen Davis, oversees the construction. Problems include finding good, loyal staff – not easy with unemployment in Prague only 2.5 per cent – and the bureaucracy. Companies employing more than 25 workers are subject to wage control and there are fines for slow or non-payment of VAT at 23 per cent.

Finance is less of a problem, thanks to the establishment of foreign banks. "Komercni Banka, the biggest Czech bank, is only prepared to lend for a maximum of four years at 14.5 per cent, or seven years by private treaty. But why bother when you can get 10-year loans from German and Austrian banks with less hassle? As for UK banks, they have missed out on this market completely," said James.

Accountant asks £200 to sign letter

Q&A BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

Ten years ago, my accountant arranged two policies for me, one an endowment, the other whole of life. Now the endowment has matured, he proposes to charge me 0.5 per cent on the proceeds for signing the maturity form.

His normal charge would be 1.1 per cent but, in view of the amount involved, he expressed himself willing to take the lower charge. This would give him £200 simply for signing the maturity form and a letter written by me to the insurers. But I knew nothing of this charge until 10 years after taking out the policies. Is this normal practice?

I have a further endowment policy written in trust which matures in four years. This involves one (different) trustee to whom I wrote some time ago but have received no reply. If he cannot be traced, how do I replace him?

■ Whether your accountant is entitled to charge a percentage on the policies' proceeds depends on the agreement between you and him when the policies were taken out.

If you are unhappy, the professional conduct department at the Institute of Chartered Accountants might be able to assist you. The address is: Gloucester House, 399 Silbury Boulevard, Milton Keynes, Bucks MK9 2HL.

You can replace trustees on the present policies by writing to the companies concerned in order to verify who has the power to appoint trustees.

It might be possible that, as settlor, you have this power; if so, the companies concerned could supply you with forms in order to make the necessary change. *(Answer by Murray Johnstone Personal Asset Management).*

Worthless certificates

I own 200 shares in Norton Group plc, which crashed last year with debts of £7.5m. I understand that a Canadian entrepreneur has bought the old Shenstone factory at a knock-down price. Is my share certificate worth anything or should I frame it?

■ Your share certificate is almost certainly worthless. Unless it is particularly artistic, framing would merely be throwing good money after bad. *(Murray Johnstone).*

I hold shares in Ferranti which are obviously a total write-off. As I am unable to dispose of these shares in the market:

1. By what procedure am I able to realise the losses for CGT purposes?

2. Could this be done on the last day of the present tax year to maximise indexation benefit?

■ To qualify for maximum indexation and to minimise the risk of forfeiting all indexation (by failing to get the claim into the inspector's hands by the end of the tax year), you should, on Saturday, April 1 1995, write to your tax office along the following lines:

"In accordance with section 24(2) of the Taxation of Chargeable Gains Act 1992, I claim that the value of my holding of [state number] shares in Ferranti International plc has become negligible, namely . . ., and that I should therefore be treated as if I had sold that holding for that sum today, April 1 1995, and had immediately reacquired it for that same sum, in circumstances falling outside section 105(1) of the Act."

If by chance you reach the £10,000 limit for indexation losses (between November 30 1993 and April 5 1995, inclusive) as a result of actual disposals etc, then the timing of your negligible-value claim will not matter.

Some years ago I bought some shares in a company called Equity & General which went bankrupt and I have found out that the Inland Revenue declared shares in this company to be of negligible value from 14 September 1990.

I have not previously entered the loss on my tax returns but now need to do so. How do I do this? I would like to use part of the loss in the tax year 92/93 and part in the tax year 93/94. Is this possible and to what date should I index the loss in each case.

■ The revised version of extrastatutory concession D28 (which permits retrospective negligible-value claims) was published at the end of May. It is too long to quote, so you should ask your tax office for a copy; if you have any difficulty, write to the Inland Revenue Public Enquiry Office, Somerset House, Strand, London, WC2R 1LB.

The new version of concession D28 appears to have been written in a hurry so we shall not be surprised if you find it difficult to understand. Please come back to us after reading it, with the full background facts, figures and dates (including a note of what elections you have made - rebasing, pooling etc.). Without precise data, we cannot say whether it is possible for you to make a negligible-value claim for only part of the shareholding: there is no universal answer, but the most common one is NO.

If the company no longer exists (if it has been struck off, for example), you will automatically be deemed to have disposed of your shareholding on the day on which it ceased to exist, by virtue of section 24(1) of the Taxation of Chargeable Gains Act 1992.

Granny's houses

My daughters have jointly inherited two properties from their grandmother. These are valued at £25,000 and £28,000, with sitting tenants. If one became vacant and was sold for approximately £50,000, how would CGT be calculated? Would it make a difference if my daughters lived in the house before selling?

■ Your daughters are deemed, for CGT purposes, to have acquired the houses at their grandmother's death at probate value, broadly speaking. The solicitor who acted for the executors will be able to give them the precise figures for CGT purposes (it is rather surprising that he or she did not give them the necessary information as a matter of course).

By living in the house in question, and giving judiciously timed main-residence notices (first in favour of that house, and then in favour of their present residence, probably, with appropriate periods of retrospection), each of them could reduce her prospective CGT bill on the sale of the house, without producing an unacceptable CGT bill upon any sale of her present residence. It should be possible (as the law stands at present) for the prospective CGT bill on the other inherited property to be mitigated in a similar way.

The rules are complex and arbitrary. Your daughters should seek guidance from the solicitor who acts for them in the house sale. As a first step, they can ask their tax offices for the free pamphlets CGT4 (Capital gains tax: owner-occupied houses) and CGT14 (Capital gain tax: an introduction).

Second home

I intend to buy a second home in the south of England which will be solely for my own use as a holiday home. In five years I intend to retire, sell my present home and move into the second home as my main and only residence.

If house prices rise over the next five years, would a liability for capital gains tax arise on the second home if it were sold after it had become by main residence?

If there are tax implications, should I be making any "main residence" declarations to the Inland Revenue to minimise or avoid the liability?

■ The solicitor who acts for you in the purchase – will be able to guide you on the question of the timing of main-residence notices (under section 222(5)(a) of the Taxation of Chargeable Gains Act 1992). In the meantime, to get an idea of the arbitrary rules laid down by parliament, ask your tax office for the free leaflet CGT4.

Your solicitor's advice is likely to be broadly along the following lines:

1. A main-residence notice in favour of your present home should be lodged fairly soon after completion of the purchase of your second home (and certainly before the second anniversary of the purchase), retrospectively.

2. A notice of variation, in favour of your second home, should be lodged (retrospectively) no later than the day on which you are sure that the purchaser of your original home is not going to default.

LEGAL NOTICES

No. 004955 of 1994
IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION
IN THE MATTER OF 3i PLC
-and-
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated the 20th July 1994 confirming the reduction of the capital of the above-named Company from £150,000,000 to £10,000,000 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 21st July 1994.
Slaughter and May,
35 Basinghall Street
London, EC2V 5DB
Ref: RLH
Solicitors for the above-named Company

No. 003959 of 1994
IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION
IN THE MATTER OF AEGIS GROUP plc
-and-
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 20th July 1994 confirming the Reduction of the Share Premium Account of the Company by £233,300,000 was registered by the Registrar of Companies on 21st July 1994.
Slaughter and May,
35, Basinghall Street,
London, EC2V 5DB
Ref: RLH
Solicitors for the above-named Company

HOW TO SPEND IT

The coolest ways to fight the summer heat

***Lucia van der Post** becomes a fan fan, finds that Y-fronts have shrunk and recommends mail-order make-up and beads*

Good news for chaps: the new improved Y-front by Jockey is about to hit the shops. Now you might think that there was little anyone could do with Y-fronts, that they were one of those all-time classics that should not be tampered with.

But I have to tell you, you would be wrong.

The boys at Lyle & Scott are very excited by their recent discovery that there have been serious flaws in all previous thinking about sizing – no one, it seems, had ever bothered to measure this rather intimate area correctly.

As a result Y-fronts, in common with all other underpants, were simply enlarged proportionally all round as they moved from little waists of 26 to gigantic ones of 54. After getting wives, girlfriends and even boyfriends to take a host of measurements, they discovered that while tums and bottoms varied hugely in size other measurements (most importantly the one from the navel to the top of the pubic bone) varied by an infinitesimal amount.

Size matters: Y-fronts have been remeasured and resized for a better fit

As a result, the portion of the underpants that covers waists and bottoms is now sized appropriately while other measurements, from the middle down to the pubic bone, remain more or less static. This, it seems – and here I have to rely on the reports of the panel – results in much greater comfort and makes sure the double gusset is in perfect alignment.

The new Y-front incorporates all the classic features of the old – in particular the waistband (as integral to the design as the bumper is to the BMW). Made of woven elastic which has great flexibility (did you know your waist can expand by up to 5in when you sit down?) it is the key to the Jockey design.

Whereas most men's underpants are sized simply as S, M, L and XL, the Jockey Y-front is sized in inches all the way from 32in to 58in (Marks and Spencer's XL Y-fronts go up to 48 inches).

It is still made from fine ribbed 100 per cent cotton, just as it was on that momentous day in 1935 when Marshall Fields of Chicago filled a window with the new Y-front underpants and sold out by mid-day. At £4.25 for a classic brief (three for £10.99) it still represents value for money.

The second time I went to New York (the first time I was too green) I headed straight over to the Bowery and dived into Kiehl's. At the time it was one of the world's best-kept beauty secrets, a cult shop for models, make-up artists, actresses, fashion designers and everybody else in the know.

There I stocked up on Ultra Facial Moisturiser, Light Nourishing Eye cream, Shine 'N' Lite Groom (the explanation for many a New York model's shiny tresses) and goodness knows what else. Ever since, friends going to and fro are given orders and I stock up whenever I am there myself.

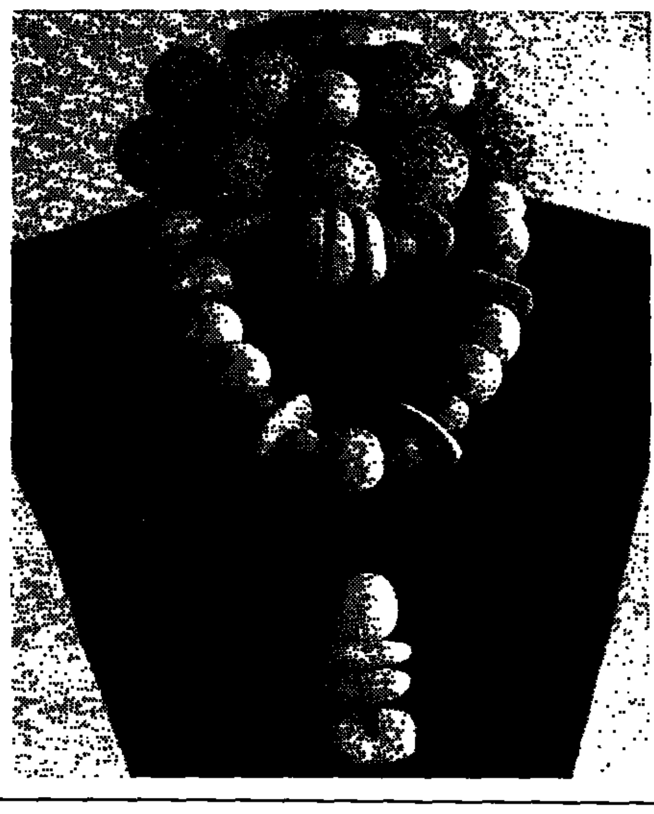
Now, four shops in London will be selling selections from Kiehl. Of course it will not be quite the same as visiting that strange old apothecary in the Bowery, dipping into those lotions and potions in their plain jars and bottles.

The shops that will stock them are: Harrods of Knightsbridge, London SW1X 7XL; Smile (Hair Salon), 434 King's Road, London SW10 0LJ; Fourth Floor (Hair Salon), Northington Street, London WC1N 2JG and Matches, 13 Hill Street, Richmond, Surrey, TW9 1FX.

Kiehl's in Manhattan (109 Third Avenue, New York) also operates a worldwide mail order service and a hotline: 212-677-3171.

Making my own necklaces has not been the kind of occupational therapy that I have ever aspired to. But Janet Coles sells beads of such beauty and diversity that she could tempt me. Her mail order brochure is beautifully produced – the beads presented in an ordered fashion with plenty of ideas for creating necklaces, jewellery and bracelets, writes Lucia van der Post.

You do not need to be a Flintstones fan to appreciate the latest collection – all ancient stones, prehistoric-style pendants and neolithic-style necklaces. Necklaces shown here can all be made with materials bought from Janet Coles – either by mail order (Perdiswell Cottage, Bilford Road, Worcester, WR3 8QA, 0905- 755888) or from her shop, Janet Coles Bead Emporium, 128 Notting Hill Gate, London W11. Pendants in kit form are £5, made-up about £7. Chunky necklaces cost between £9.95 and £21 in kits, and £13.50-£25 made-up.



I am one of the last of those Luddites who prefer fresh air and open windows to air-conditioning. To me, not the least of the charms of third world countries is their tendency to have hotels where you can still open windows by hand and can figure out how the taps turn on without the aid of an instruction manual.

But, thanks to the recent heat wave in the south of England, even I have begun to think that maybe a little cooling air around the house might not come amiss. In Britain's climate a complete air-conditioning system, with attendant costs and disruption to the household, would scarcely seem worthwhile. But for the sort of sultry nights and stifling days that we have been having recently, a portable fan can make a lot of difference for a comparatively small outlay.

You could spend as little as £16.99 for a small clip-on plastic fan by Pifco (clip it to desk or bedside table) or as much as £138.75 for the largest floor-standing Cinni. Cinni is the label most approved of by the style police, a classic of the world of whirring air, trailing overtones of ethnic chic, made as it is in India. It is, however, quite noisy, although I find the steady whirr quite soothing, romantic almost, reminding me as it does of tropical nights and sultry B-movies.

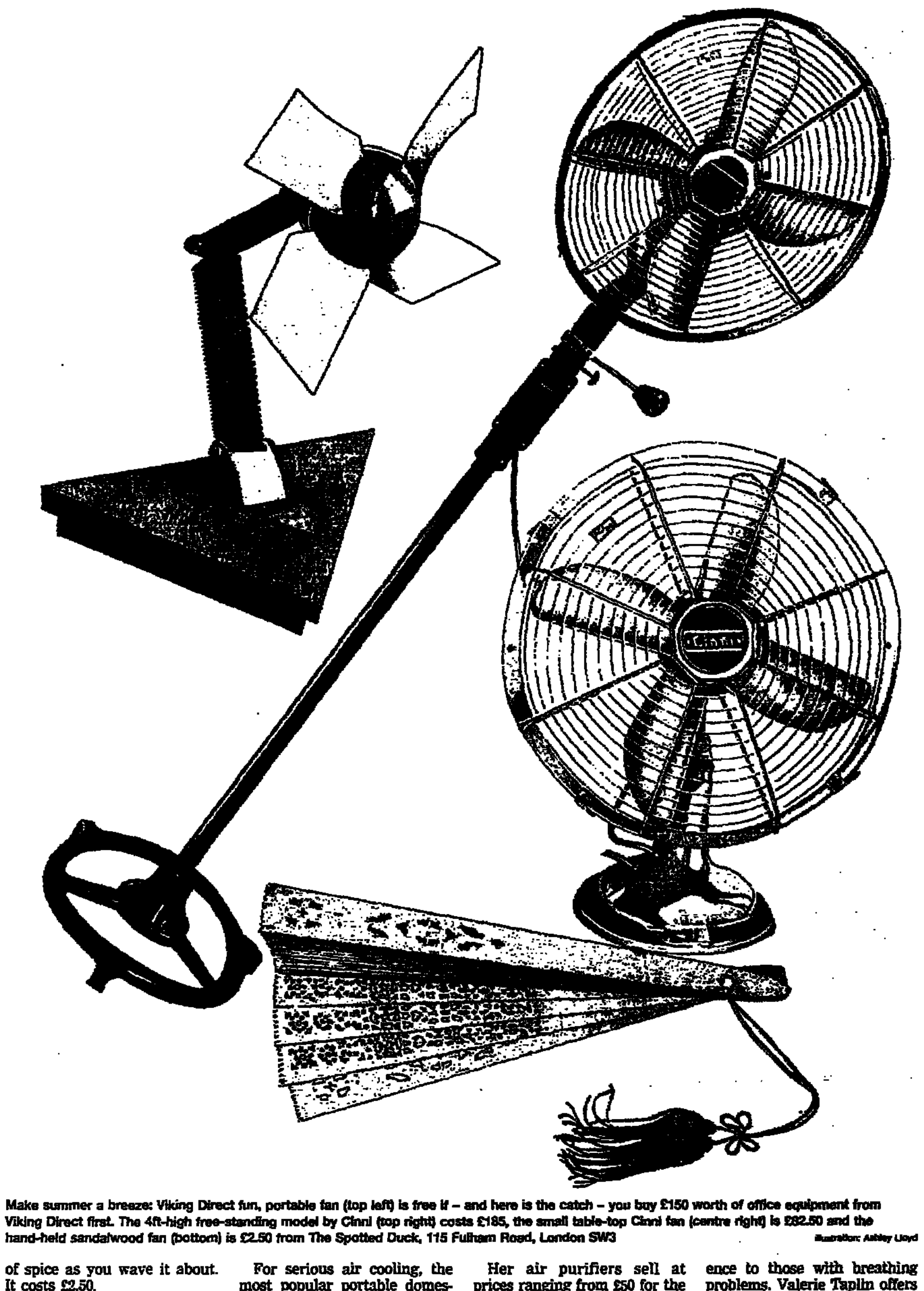
Made of metal, either shiny chrome or painted matt black, there are table-top models (£82.50) and the 4ft high pedestal version (£185) which could cool a good-sized room. Stocks of Cinni fans are running low in many of their usual outlets (Harrods, John Lewis) but the Freud Shop, 198 Shaftesbury Avenue, London WC2 (tel: 071-831 1071) has a good supply.

Xpelair offers a rather charmingly straightforward fan of the sort that is found in offices and hospitals up and down the UK. It is defiantly untrendy and no-nonsense to look at and does the job of moving the air around very efficiently. The noise level varies but the two and three-speed models are quiet enough for bedrooms if kept at the lowest speed. Higher speeds are noisy but move more air. Sizes range from small table-top models just 8in in diameter to a pedestal version 16in in diameter and 60in high

The funkiest fan, though, has to be the one Viking Direct (suppliers of office equipment) is giving away free if – here's the catch – you spend £150 on one of its computers first. It looks as though it has been designed by Ettore Sotsass of Memphis fame, has the visual charm of a small sculpture and runs on batteries – you simply press a button and it produces a pleasing whirring and cooling of the air. It is small enough (about 18ins high) to be very portable. (Tel: 0800-424444).

Those heading for enclosed spaces such as operas, theatres or tented marquees (last Sunday the temperature in the Cartier tent at Smiths' Lawn was reckoned to have risen to 110°F and it certainly felt like it) might like to have their own little folding fan.

The Spotted Duck, 115 Fulham Road, London SW6, has a beautifully carved sandalwood version which smells exotically of spice as you wave it about. It costs £2.50.



Make summer a breeze: Viking Direct fun, portable fan (top left) is free if – and here is the catch – you buy £150 worth of office equipment from Viking Direct first. The 4ft-high free-standing model by Cinni (top right) costs £185, the small table-top Cinni fan (centre right) is £82.50 and the hand-held sandalwood fan (bottom) is £2.50 from The Spotted Duck, 115 Fulham Road, London SW3 Illustration: Ashley Lloyd

Fans mounted on the ceiling can be less intrusive and they are usually less noisy. The Xpelair version, called Whispair, is probably the most sophisticated and it does the job of circulating air very well. Sizes range from 36in diameter to 60in, with a drop down from the ceiling of 10in to 30in. All are the same price, £78.52 and the essential control switch is £18.77. Bemco is the wholesaler and it will be happy to give details of local stockists (tel: 081-874 0404).

Those hankering for a bit Somerset Maugham-style colonial romance might look at colonial-style ceiling fans with brass bodies and rattan blades. These cost £99.50 from Christopher Wray Lighting of 600 Kings Road, London SW6.

For serious air cooling, the most popular portable domestic device is the Holiday One refrigerated air conditioner unit made by Carrier. It normally costs £1,135 (currently £999 in Selfridge's sale) and will cool a fair-sized room.

Most mechanical oscillating fans operate by moving existing air around but, for those who have been suffering from pollution this summer, it is worth knowing that there are ways of improving the quality of the air itself.

Valerie Taplin, who runs the Air Improvement Centre at 23 Denbigh Street, London SW1, says that the levels of air pollution have brought her many new customers this summer, many looking for cleaner air.

Her air purifiers sell at prices ranging from £50 for the smallest to £500, depending almost wholly upon size and capacity. These are basically boxes which are plugged into a socket and suck in dirty air at the back and expel clean air through the front, ionising it on the way. Most have two filters – a carbon filter which takes out gaseous pollution (car exhaust, fumes and the like) and an electret filter that takes out particulate pollution (unburned hydrocarbons, soot, lead oxide from traffic exhaust). The ioniser recharges the air and revitalises it, putting back in the negative ions (which Valerie Taplin describes as being like "vitamins of the air") which polluted city air is low in.

These air purifiers do not cool the air but make a difference to those with breathing problems. Valerie Taplin offers an emergency service for those in distress – she has delivered humidifiers in the middle of the night to a tracheotomy patient, an opera singer and many asthmatics.

Come the hot weather, though, it is inevitable that the shops are out of fans – just as you can seldom buy a bikini when the summer is at its height ("Modom, they were all sold out in January"), or a hay fever remedy in the hay fever season ("everybody has been asking for it," was my local chemist's excuse for being out of Beconase). My advice is this – never mind if your local high street is looking like a frozen tundra, buy a good fan if you see it and next time the weather is sweltering you will be smiling.

Shoes that trod the hippy trail

*Birkenstocks are both fashionable and comfortable, writes **Lucia van der Post***

There are some products which have relevance and value regardless of time and fashion. Birkenstock shoes are such a product.

Whether you are three years old and not very steady on your feet, or 80 and feeling frail, Birkenstock will make sure you are happily and comfortably shod. In between these two extremes, Voguettes rush around town wearing Birkenstocks and the most laid-back, comfortable-looking guest at a London summer drinks party recently was a chic visitor from Florida's Key West sporting a soft, linen suit, collarless linen shirt and . . . yes . . . Birkenstocks.

Birkenstocks were the original hippy shoe bought by free-loving Woodstock fans, earnest ramblers and vegans who delighted in the plastic versions. Now they have suddenly become transformed from merely practical footwear into cult status.

In the summer of 1991, The Face magazine showed the then unknown Kate Moss wearing them in photographs by Corinne Day and made all the style cognoscente take notice.

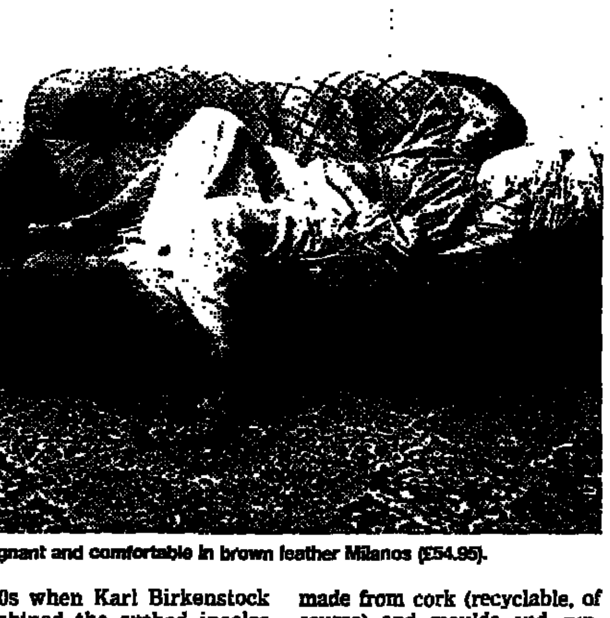
Hotshot designers began to take the basic models and customise them for their catwalk shows – Perry Ellis added pink satin and diamante buckles while Kohji Tatsuno showed them in glittery silver.

Today much of their charm lies in their universality – they are that elusive product, both widely accessible and infinitely chic.

By the footwear standards of today they are modestly priced ranging from £19.95 to £69.95.

Their fans are legion. Harrison Ford, Whoopi Goldberg, Joan Bakewell, Koo Stark, Victoria Wood, Julie Walters and Maggie Smith all saunter around in them.

For those who have never heard the name, Birkenstock is a German shoe company dating back to the 18th century. It rose to modest fame in the 1960s when Karl Birkenstock combined the arched insoles with a footbed and straps, creating the now familiar sandal.



Pregnant and comfortable in brown leather Milanos (£54.95).

This sole (or "footbed") is the shoe's chief distinguishing characteristic and the source of its particular comfort. It is made from cork (recyclable, of course) and moulds and supports the foot.

Those who are new to Birkenstocks say it can take a while to become accustomed to the toe grips and the arch support but, once hooked, you becomes a life-long wearer.

In winter Birkenstock aficionados swap the open sandal for the closed-in shoe styles with names such as Boston or London.

There are still ranges for vegans, made with no animal products, but the model most favoured by the chic set is the Arizona, in leather and suede at £49.95. This chimes perfectly with the 1990s feel for natural linens and eco-friendly products.

The Natural Shoe Store, which sells them in the UK, prefers customers to come in and be properly fitted but, as there are just three branches (21 Neal Street, London WC2; 325 Kings Road, London SW3; and 22, Princes Square, Buchanan Street, Glasgow) it recognises that not everyone can easily reach them, so it has just launched a mail order catalogue.

This catalogue lists all the styles, prices and materials and includes charts to enable you to trace your foot shape precisely.

Do not be worried that at first sight the shoe or sandal seems alarmingly large – this is part of the support system. Try them on a soft carpet before rejecting them. Ring 0800-132-194 for a free catalogue.

Fashionable comfort: bright yellow Super-Birkis at £26.95

PERSPECTIVES / FOOD AND DRINK

Highland regiments hear the last post

The Queen's Own Highlanders fear peace-time defeat. ***Christian Tyler*** *visits the regiment on the eve of amalgamation with the Gordons*

Silver goblets are carefully set in front of each officer's place along the polished mess-table. But closer inspection shows their design is not uniform. The first is embossed with a stag's head, the next with a thistle and crown – and so on, alternately, around the table.

Like the clash of green and red tartan in the paintings on the walls, the goblets proclaim the amalgamation 33 years ago of two clan regiments, the Seaforth Highlanders and Queen's Own Cameron Highlanders.

Today the product of that merger stands on the brink of another merger. The Queen's Own Highlanders (Seaforth and Camerons) will acquire more goblets, more tartan, more customs, when they are united this September with the Gordon Highlanders from the Grampian region to the east, foreigners from Aberdeen with strange accents and – so it is rumoured – Danish blood.

More than 30 British regiments are being reduced or merged in the present round of cuts, to predictable cries of pain. Some soldiers see in this the beginning of the end of a regimental system which is reputedly the envy of the world.

To the men of the Queen's Own Highlanders a stroke of the pen in Whitehall feels like a bayonet in the guts, for Highland soldiers enjoy more than a shared history and regimental loyalty: they are bound, in a way English regiments no longer are, by ties of territory, clan and family.

While the rest of the British army struggles towards the classless society, theirs remains in some respects a feudal world. The officers – some still lairds in uniform – are mostly the well-spoken products of English public schools. As one young bachelor officer quipped when asked where he came from: "The Highlands of Chelsea." They command men they call "jocks" who in civilian life could easily be their estate workers or gamekeepers.

Highland regiments enjoy a cachet unlike other infantry units. There are few sights more stirring than a Highland regiment on ceremonial parade: a moustachioed pipe major at the head, feather bonnets nodding, kilts swinging, kettle-drums rattling and bagpipes wailing. A piece of theatre, maybe, but more than that – an expression of collective pride powerful enough to silence the most sceptical voice.

That pride was poignantly displayed recently when old soldiers of the Seaforth Highlanders commemorated the 200th anniversary of the raising of the 78th Highlanders (Ross-shire Buffs), their regimental ancestor, by Francis Humberston Mackenzie, Lord Seaforth.

In untypically brilliant sunshine, with the tops of Ben Wyvis uncovered behind them, they marched in column of three behind a pipe band of their own veterans through the streets of Dingwall on the Cromarty Firth. On the same day, at the southern end of the Great Glen, another band of old soldiers was parading through Fort William in memory of Alan Cameron of Erracht, founder of the 79th Cameronian Volunteers.

Poignant, too, was the moment in the chapel of Fort George, the 18th century garrison which juts into the Moray Firth near Inverness, when the regimental chaplain, the Rev James Harkness, quoted from Isaiah: "Consider the rock from which you are hewn, the quarry from which you are dug." Watched by their colonel-in-chief, Prince Philip, the two clans combined for Beating the Retreat at the Cameron Barracks in Inverness, marching off to the air of the Mackenzie chiefs, *Cabar Feidh*, while the setting sun glared from the red sandstone of the barracks. It was spirited but solemn: a celebration, and a funeral march.

The power of tradition: Colin Fitzgerald, ancestor of the Mackenzies of Seaforth, rescues King Alexander III of Scotland from the fury of a stag in this painting by Benjamin West

The National Gallery of Scotland

A campaign to prevent the merger was launched by old soldiers on both sides, but apparently too late to have effect. The "old and bold", as the Queen's Own Highlanders call their veterans, say the merger is unfair on two counts: that the QOH has barely digested its last amalgamation and that it is being penalised for the Gordons' recruitment difficulties. They hoped – still hope – that a big UN peace-keeping force will be called for in Bosnia, further stretching an already over-stretched British army and thus saving their battalion.

There is resentment about those regiments which, because of political influence or logistical need, will come through diminished but undiluted. "The politicians seem more worried about the Highlanders of Kathmandu, the Gurkhas, than us," said Col Andrew Duncan, a former commander of the regiment. "And why should there be three battalions of paratroopers when you cannot safely parachute into battle ever again?"

Sgt John Rattray, a master tailor, complained: "We don't have enough people in Parliament. There's quite a lot of feeling that the Black Watch and Argylls should have been disbanded – they're no Highlanders." The Black Watch, he explained, persecuted the Jacobites in the early 18th century and were known as "the English police". The Massacre of Glencoe has not been forgotten.

The regiment's commanding officer, and future commander of "The Highlanders" is Lt Col Hugh Monro whose brother was CO before him and whose father is Sir Hector Monro, a minister in the Scottish Office. "My principal concern is not kilts and customs," he said briskly, "but people."

His problem is to maintain morale through a reduction of the 565-strong battalion which will hurt the careers of his officers and NCOs and threaten unemployment for his men. "If I was a retired officer it would be extremely upsetting," he added. "I *am* upset, but I haven't got time to be upset. Anyway, it would need a miracle to prevent it now."

'The hardest thing to face is that someone wants to do away with us . . . that the regiment can just be wiped out at the drop of a pen'

Highland soldiers regard themselves as special. Their martial tradition is one reason. They make tough infantrymen, said Col Duncan, a legacy of the era when they were required "only to walk bravely forward, shoot their muskets, and die when hit." Yet they do not foster a cult of toughness like the self-proclaimed élite units.

They are violent when roused, boisterous when drunk and need a lot of disciplining. They are used to military service: regiments like the Seaforths and Camerons were raised by their clan chiefs as much as anything to provide employment. And they are used to dying. The entire adult male population of Ullapool, the fishing port in the north-west Highlands, was killed in the two world wars, according to Major-General John Hopkinson, another former Seaforth and now Colonel of the Regiment.

"The jocks are fine soldiers, but a nightmare in camp", said Major Douglas Hay of 'D' company, glowing with pride after watching his men win the battalion soccer tournament in a cup final played at high speed and with considerable ferocity. "Everyone in the army says his battalion's the best. The only difference is that in the Queen's Own Highlanders we know we *are* the best!".

Overt class distinction seems to bother no-one in the battalion. "Jocks expect officers to be different," said a lance-corporal. In spite of it – no, because of it – officers and men alike boast of the familiarity permitted. A sergeant explained that the relationship is less stiff-necked than elsewhere in the army. Banter was tolerated short of insubordination and jocks knew where the line was drawn. There is one club for the wives of all ranks.

"Our sarn'ts (sergeants') mess is the oldest in the army. They are all real gentlemen," said Monro. "Class is not important in this mess either. It's performance." These days, he said, respect had to be earned. "There is no room any longer for the chap who can hide behind a name or what he thinks he is."

Family connections and family feeling are the glue that binds these soldiers together. Many have followed brothers, fathers, grandfathers into the regiment. "It's all to do with family," said an NCO storeman from Fort William. In one company there had been no fewer than six brothers serving together.

Major Mike Wimberley, the second in command, was born in London and grew up in Sussex. But he has a Cameron tartan plaid spread over his desk: he is the fifth generation to join the regiment. For him, it is an extension of family life. "The hardest thing to face," he said, "is that someone wants to do away with us, that someone *can* do away with the living thing that is a regiment – that something created which works extremely well that can just be wiped out at the drop of a pen. History doesn't count with government. It doesn't matter a damn to them how long we have been around. What matters is their ability to recruit and retain."

The last serving Seaforth in the QOH is the quartermaster, Major Murdo Macleod from the Isle of Lewis. He is old enough to remember babysitting a little girl now married to one of the sergeants. "When you leave a civilian company," he said, "that's the end. But you are never, ever, retired from the Queen's Own Highlanders."

The last merger was made easier to digest by a posting to Singapore and action in Brunei. Few doubt that the impending merger with the Gordons can be made to work just as well, in spite of mutterings that their officers are not of the same calibre and jokes about their tartan having a yellow streak.

Arguments about who will wear what, and when, in the new battalion have largely been resolved. General Sir Peter Graham, colonel of the Gordons, was rumoured to have threatened to fall on his sword if the Gordons lost the kilt. So it will be Gordon kilts and Mackenzie trews for the soldiers, and Cameron kilts and Mackenzie trews for the pipers and drummers. In return the Gordons will give up their cap badge – the everyday emblem of the modern soldier – of stag's head and motto "Bydand" ("abiding") for the QOH stag's head with thistle and crown and Gaelic motto "Cuidich'n Righ" (Help the King).

Thus traditions will fuse and a new sustaining myth will have to be invented. "We will have no trouble creating a history for the Highlanders," said a QOH officer. "But it has taken 20 years to get our identity accepted locally. It will take another 30 years for the new one."

But for how long can the regimental system survive such chopping and dilution? Field-Marshal Lord Carver argued 25 years ago that infantry regiments should be merged into a single corps. He has few supporters in the QOH. "It is important to go into battle with friends, not acquaintances – to see the blue hackle," said Capt Stuart Tootal, who saw action in the Gulf war where three men of the battalion were killed in the notorious "friendly fire" incident. "At the end of the day one of the biggest motivations is not to let your mates down, and I firmly believe in that."

Major Wimberley said: "We have asked them if necessary to lay down their lives for the Queen's Own Highlanders. You cannot easily ask them to switch off and say Now I am a 'Highlander'."

But there are some who feel the campaign against amalgamation is a case of old buffers resisting the inevitable. They say the tradition of local regiments, formalised only 100 years ago, is wasteful in peacetime and inefficient in wartime, however good it may be for *esprit de corps*. With many regiments, like the QOH, down to a single battalion the rationale is still further weakened.

"Why not put all the Highland battalions into one regiment?" suggested a QOH dissenter. "You *could* say they should have gone even further." No doubt they wanted to, but did not dare.

Cookery/**Philippa Davenport**

Feasts from the deli

The lure of the stove fades fast in hot weather. Good eating still appeals – providing the dishes are light and fresh, not stodgy or creamy – but the less cooking involved the better. This is a time when good shopping comes to the fore and classy offerings from the delicatessen seem worth their weight in gold.

As good fortune would have it, the hot spell in southern England has coincided with the arrival in the UK of some fine foods from Italy.

Masseria is a small estate in Apulia, the heel of Italy. Its artisanal products are strictly seasonal and quantities are limited. Own-grown vegetables ripened in the southern sun are a speciality. Harvested in small batches when at their peak, they are cooked and preserved within hours, and this freshness is evident in the eating.

Unusual offerings include a vibrant green pasta sauce, made from the cooked and puréed tips of a sort of wild broccoli, *cime di rapa*. Even more noteworthy is a range of antipasti vegetables preserved in olive oil.

Of these the grilled wedges of artichoke are truly outstanding: the firm sweet texture of the fresh vegetable is retained and the delicate artichoke flavour shines through.

They are quite unlike most other preserved artichokes, which tend to be soft verging on soggy and mildly sozzled with an overdose of vinegar.

These Masseria artichokes are in their prime now, having been picked, grilled and bottled just recently. As the months go by they will soften a little. But supplies of this year's crop will be snapped up and eaten long before that happens.

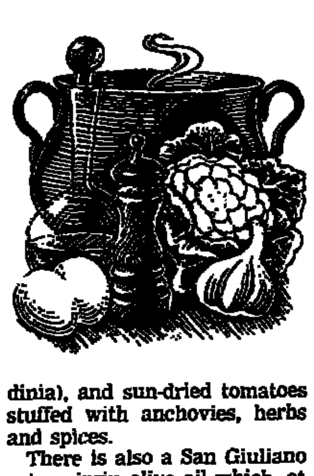
Any day now Masseria grilled baby onions will come on stream. By September sun-dried red peppers will be harvested, bottled and ready for sale, as will *lampasconi* (delicately flavoured hyacinth-like wild bulbs). Treats to look forward to.

September will also see the arrival in Britain of the new season's *peperoni farciti*, an exquisite offering from Roi of Liguria. These stuffed peppers, which I sampled at last year's harvest, are tiny round medium-hot peppers, each carefully stuffed with whole anchovy fillets and capers, packed in Roi's delicate extra virgin olive oil.

Like Masseria's grilled artichokes, Roi's stuffed peppers are a star product to which I could easily become addicted. Try either or both of them with a few slices of good ham, a hard-boiled egg or two and a smattering of fresh chopped herbs. Perfect for lunch in the garden.

Sardinia is uncharted gastronomic territory so far as most Britons are concerned. But not for long, as some of the best of the island's produce is just beginning to trickle into the British marketplace.

San Giuliano, near Alghero, northern Sardinia, produces a commendable selection of vegetable *antipasti* preserved in olive oil, that includes wild cardoons, autumn mushrooms (a member of the oyster mushroom family indigenous to Sardinia), and sun-dried tomatoes stuffed with anchovies, herbs and spices.



There is also a San Giuliano extra virgin olive oil which, at less than £6 per litre, strikes me as a very agreeable, very affordable everyday olive oil; while from Sartos and San Raimondo in middle and southern Sardinia respectively come prize-winning fruttato olive oils.

Casar's canned vegetables, from the Cagliari region in the south, include excellent pulses: canned lentils, borlotti and, best of all, large mealy white beans known as *fagioli di spagna*. The canned plum tomato products are the best I have come across.

The Sardinians, like the British, are notably sweet-toothed. Some of their biscuits and sweetmeats are Arab influenced. High fruit content jams include a fine bilberry. Intensely flavoured hazels, almonds, walnuts and sultanas stored in honey are especially delicious. This is an ancient preservation method almost forgotten elsewhere.

Long-keeping foods are a hallmark of Sardinian cuisine. Traditional island breads include *pane carasau*, colloquially known as *carta di musica*, or music paper. Crackling, parchment-thin, it will keep for up to a year after baking.

Even longer lasting is *botarga*, the salted and dried roe of mullet or blue fin tuna. This fishy treat is Sardinia's greatest delicacy and is so intensely savoury that only minute quantities are needed to kick-start the appetite. Just as well, for it is a luxury item in the caviar and truffle price bracket, food for high days and holidays.

One classic (and effortless) way to serve *botarga* is shaved wafer thin or grated to a powder, sprinkled over a generous handful of rocket or broken pieces of *carta di musica* drizzled with olive oil. (The poor man's version substitutes sea salt for *botarga*.)

This is a splendid dish for reviving jaded appetites on summer days, when I might preface it with a thirst-quenching soup, well chilled and agreeably thin – made perhaps with Sardinian canned tomatoes, sieved to a purée, generously diluted with light stock or iced water, enriched with a splash of olive oil and aromatised with crushed fennel seeds and a sliver of garlic.

■ *For further information about, and stockists of, products by Masseria and Roi, contact Danmar International. Tel: 081-844 1494. Fax: 081-751 1436.*

■ *For further information about, and stockists of, Sardinian foods and wines contact EuroChoice. Tel and fax: 081-653 9422.*

Whisky/**Giles MacDonogh**

Glenturret's variety

On the Scottish mainland few whisky distilleries are good to look at. The need to increase capacity during the boom years in the 1960s and 1970s transformed most of the primitive industrial sites into complexes of buildings looking more like factories.

The pagoda roofs on the maltings were levelled when the decision was made to bring in malt from elsewhere. In other cases, old warehouses were cleared when companies elected to age their stocks centrally, rather than at the distillery itself.

If you do not want to take my word for it, go to the Glenlivet: you will soon see that the best view is from the inside, looking out.

Yet there are a few notable exceptions. One of these is Strathisla in Keith. Then there are the two smallest distilleries in the Highlands, in many ways two working museums: Edradour, in Pitlochry, and Glenturret, just outside Crieff.

Glenturret lays some claim to being the oldest distillery in Scotland. The River Turret was particularly favoured by illicit distillers in the 18th century and it is believed that whisky was being made on the site of the present buildings as early as 1717.

The shell of the distillery dates back to 1775, half a century before the relaxation of the duties on distilled spirits which created so many of the larger operations on the mainland.

Glenturret continued to produce whisky until the 1920s. In 1927 the stills fell silent and remained so for 30 years. During this time the distillery was stripped of its equipment. Then, in 1957, the buildings were acquired by a Glasgow whisky broker called James Fairlie.

Fairlie was bored by his work, and was looking for a more interesting line of business. He did not have a lot of money but he managed to get the place up and running by signing a number of hire-purchase deals. In that way he was able to acquire a functioning Porteous grist mill and a couple of secondhand stills.

For a small fee, tourists may watch whisky production in miniature

Fairlie kept Glenturret going until 1981 by selling his whisky to big companies for use in blended whisky. In that year Cointreau bought him out.

Ten years later, Glenturret reverted to Scottish ownership when Cointreau's masters, Remy-Martin, did a share deal with the Highland Group. James Fairlie stayed on until 1990. Since then his son, Peter, has been in charge.

Glenturret still fills casks for other companies, but its strong point is how much it uses its own resources to good effect.

Its Highland position, just below the Turret Loch, attracts around 200,000 tourists every year. For a small fee they are able to pop into the distillery and watch whisky production in miniature.

The mash tun, for example, is so small there that it is stirred manually by a man with a paddle. The wash still, the most important of the two stills so far as quality is concerned, was replaced by a rather more sophisticated machine in the mid-1970s, but the old spirit still continues to be used.

Outside in the yard lie the casks in which the whisky spends its long years of maturation. Most of them are American wood 'hoggies', constructed in Scotland from imported barrel staves. Old sherry butts from Spain are also in evidence.

Scotland's smallest distillery, Edradour, pours all its production into one malt. Glenturret takes another path altogether. It bottles seven or eight different whiskies as well as a painfully sweet liqueur.

Glenturret is a heavy whisky and this is already noticeable on the basic eight-year-old with its honey and butter aromas. Outside the distillery it is the 12-year-old which one sees on sale most often. This is a mite peatier with a certain smokiness on the nose.

My favourite of the younger whiskies is the 15-year-old, with hints of honeycomb and preserved fruits. This also comes in a high-strength version – 50 per cent alcohol by volume – with fruity, heathery notes.

Then come a series of weird bottlings. A 'copperlustre flagon' revealed a 21-year-old whisky smelling of varnish. The varnish aroma was probably caused by sherry, but it was far from being my favourite in the range. Another 21-year-old came in an expensive-looking cut-glass decanter. Again, this had matured in sherry wood. A third 21-year-old had been bottled at 43 per cent. This was a better balanced whisky with some attractive floral notes.

Finally, there were three older whiskies from the golden age: the 1960s. This was the time when the whisky business was getting the best casks – before demand outstripped the supply of decent wood. The 25-year-old at 43 per cent was clearly from a bourbon cask. It smelled of sugar and butter being creamed together. A 1966 (27 years in cask) at 45.7 per cent was fruitier with a slight touch of that enchanting apricot and ginger character which is called *rancio* in Cognac. The 1966 Classic Vintage at 40 per cent had even more *rancio* character.

■ *Information: Glenturret is open to the public all year round but opening times are restricted in January and February. Tel: 0764-656565. There is a bar and two restaurants on site which specialise in Scottish food liberally doused in whisky.*

TRAVEL

Practical Traveller

Keep on the right tracks in Europe

Not long ago I took a train trip from the bottom end of Europe to the top, from Marseilles to Helsinki, writes Nicholas Woodsworth. I did it because I had time – the journey, with a 12-hour stop in Copenhagen, required four different trains, two ferries, and took 63 hours.

I also did it because it was cheaper than flying: less than half the price. But most of all I did it because I enjoy trains.

There is perhaps not as much romance in European train travel as there was 50 years ago. But it still has its pleasures. Apart from some horrendous delays, atrociously cramped seating and one or two dodgy landings, I cannot say I have any clear and lasting memories of airports or flights I have taken; such things are anonymous and without character.

Yet I clearly remember train trips from years ago. If you want a physical sense of Europe, a feeling for changes in its climate and countryside and cities, if you enjoy chance encounters with its inhabitants, then trains are the best way to see the continent.

Old tales of Italian peasants exuding garlic in stuffy compartments during interminable journeys are no longer worth telling. Rail commuters in Britain may have continuing grounds for complaint, but European mainland rail travel is now seen as the transport of the future – services and networks on the whole are comfortable, reliable and fast.

The French TGV – *train de grande vitesse* – that I took between Marseilles and Paris, for example, takes just a little over four hours, and from city centre to city centre rivals flying for rapidity.

While most of the hardware on the continental rail network is impressive, I found the software – the vital information necessary to a complex network – less satisfactory.

It may vary from country to country, but railway employees throughout the continent seem to regard the provision of travel information as a special favour. In Marseilles the man behind the counter was too hot and bothered to look into an alternative to the inconvenient routing he first suggested.

Even in Copenhagen station, that model of Nordic efficiency, I was sold a ticket for a service that did not exist at the time promised. On the German train to Denmark, I saw an elderly American couple come close to nervous collapse because their carriage attendant had failed to tell them that the train split at Aachen. They emerged from a dining car in the wrong half to find their carriage, with all their documents and belongings, heading in the other direction.

The essential act, then, before boarding a train or buying a ticket is to check and recheck. Euro City, Euro Night, Inter City Express, Inter Region – there are scores of different types of trains.

Do not worry about making a nuisance of yourself; ask about the most convenient departure times, connections and routings. Language problems, guaranteed in many smaller or rural stations on the continent, can only make matters more difficult. But a bit of polite perseverance can make all the difference.

Perhaps the best place to begin is the International Rail Centre in London's Victoria Station (tel: 071-834 2345). For those planning a set itinerary in Europe, or wanting to avoid on-the-spot language problems, Thomas Cook publishes a European timetable, updated monthly, available at bookshops or by phoning 0733-268943. The same company also publishes *On the Rails Around Europe* (£9.95), a rail-travel guide separately detailing more than 40 different routes.

It is worth finding out, too, about discounts on standard tickets, and, for those making extended tours, rail passes: these can offer real savings.

Discounts are available for senior citizens, students and children, and often for travel outside peak and weekend travel periods.

There is a great range of rail passes such as the Eurail, available only to those living outside Europe, which offers anything from 15 days of first-class travel for $498 (£321) to three months for $1,398.

For Europeans a variety of passes exists, none of which offers the same comprehensiveness. For those under 26, the Inter-rail pass offers unlimited second-class rail travel through most countries in Europe for £249 a month.

The Inter-rail 26+ pass, at £269 a month, offers unlimited travel to those of any age, but is not valid for Iberia, Belgium, France, Italy or Switzerland. However, most European countries, including those just mentioned, provide savings on their own national railways with the awkwardly-called Euro-Domino Freedom passes.

If you are contemplating a longer trip across Europe, chances are you will find yourself on an over-night train. The charms of falling asleep to the sound of turning wheels has been exaggerated.

After three nights of station shunting, customs checks and snoring passengers, I rolled into Helsinki feeling not entirely rested. Make sure you take ear-plugs.

You are more likely to get a better sleep in a proper sleeping car than in *couchettes*, which are much cheaper and provide four to six berths for mixed sexes in a converted day-time compartment. Pillows and sleeping-bag-style sheets are sometimes made of disposable material, and I found the bunks short and narrow.

Far more comfortable are single-sex sleeping compartments, with a maximum of three berths and the possibility, in some first-class compartments, of individual accommodation. You get a proper bed and, if you like, the attentions of a steward. While most overnight trains offer dining-car services, he will bring you drinks in the evening and breakfast in the morning.

The Lofoten Islands: fly, take a ship or, if you can stand it, drive. One way or another, the coasts around the islands are worth any kind of effort B & C Alexander

Côte d'Azur of the Arctic

Nicholas Woodsworth drives through dull Lapland to the dazzling Lofoten Islands

Home of rivers, lakes and virgin forests, home of the hardy Lapp and vast herds of reindeer, Lapland, I have to admit, *sounds* like an interesting place. Do not believe a word. The attractions of Lapland are for the most part as imaginary as its most famous resident, Santa Claus, who each year leaves the Finnish postal service holding 500,000 letters addressed to him.

I had spent two long summer days driving across arctic Scandinavia and was ready to scream with boredom. There may well have been all sorts of fascinating things out there. Lapp folk music contests and endless boggy back-packing trails are highly considered locally. Whatever their qualities, they were hidden in drizzle behind the thick curtain of trees that, mile after mile, hour after hour, hemmed in both sides of the highway.

It was not long before I began accepting any little diversion with gratitude: small villages lost in the forest, their wooden houses sodden in the rain, their pale-faced womenfolk grimly planting potatoes in muddy plots; a contingent of the Finnish army, camouflaged in spruce branches and clouds of mosquitoes, engaged in some sort of field drill; an electronic pool game in a Swedish small-town take-away, intoning "Stop talkin' and start chalkin'" in a Clint Eastwood voice.

So endless, unchanging and empty were the forests of the north that, listening to Maria Callas and dreaming of the Mediterranean, I missed a turn and drove 100km to a dead end before I realised my mistake.

Great was my wonder and anticipation when, not far from the Norwegian border at the end of the second day, I noticed the land beginning to lift and the forest to thin out. Snaking between hills now, the road rose higher and higher. In an hour I was above the tree-line; in another I was lost in a chilly snow-covered desert of tall mountains.

Then, without warning, I was over a high pass and the road fell precipitously to warmth and greenery. I took a deep breath of surprise. Spread out in a jigsaw puzzle below me were the spectacular islands, sea and fiords of the Norwegian far north.

Fly, take ship or, if you can stand it, drive. One way or another, the coasts around the Lofoten Islands are worth any kind of effort. Wholly surprised by their beauty, I realised where generations of European holiday-makers may have gone wrong. Instead of working in grey northern cities and massing each summer on hot, smelly beaches to the south, we should do the opposite – live and work in the south and travel to the cool, green north for holidays. The Lofotens are the Côte d'Azur of the Arctic.

Looking about as I motored down towards the water, it was not hard to understand their attraction. People love mountains and people love the sea, but rarely do they get them together, or in such generous proportions. Wherever I gazed were steep peaks, their summits snowy and ragged-toothed, their bases plunging into the deep indentations of the arctic sea.

Nor was this any ordinary arctic sea. Other places in the world at the same high latitude – northern Alaska, Baffin Island, upper Siberia – are virtually unlivable. But here, dwarfed by this huge and untamed background, were snug seaside villages, neat homes and barns and boathouses painted bright red and surrounded by green fields and flower gardens.

The Lofotens are as full of life as Lapland is barren. When the rest of Scandinavia is shivering in sub-zero winter, there are parts of the Lofoten Islands that remain above freezing point. It is all due to that gigantic but invisible natural heat source, the Gulf Stream.

On this particular day, though, not even the Gulf Stream was having an effect on the gale blowing in from the open ocean. It spanked up white-caps on the milky-blue fiords, lay dandelions flat against the ground and tugged at the cod-fish hanging by their thousands from wooden racks near the shore.

Clouds rolled in and out, the sun advanced and fled. In the distance shifting fields of light played on sea and mountain snow. It made for a splendidly savage, wind-whipped day.

Five of the seven islands that make up the twisted string of the Lofoten group are connected by bridge, tunnel or short ferry ride. Ahead of me lay 400km of superb scenery. I took my time; in the arctic summer, when the sun never sets, there is plenty of time.

In the town of Svolvaer I bought an island guide at a bookshop and asked the attendant what people did through the long dark months of winter when the sun never rises. There are not that many possibilities, it seems. "Shovel snow, drink beer, watch football and make babies," she replied without a moment's reflection.

In Sortland I spent a sleepless and sun-filled night in a hotel room where the curtains failed to keep out the light. Confusion continued when I came down to a vast Norwegian breakfast that was more like dinner: cheeses, meats, sliced vegetables and more kinds of herring – in brine, in vinegar or with curry or spicy tomato sauce – than I knew existed.

In the village of Eggum on the "outside" – the term islanders use for the rough unprotected waters of the open ocean – I spent an afternoon strolling the pebble beach to the sound of great arctic combers rolling in. In Nusfjord on the "inside," by the calm waters of West Fiord, I watched fishermen taking cod down from the drying racks; they may look like inedible slabs of timber but, rehydrated, they end up on the plates of southern Europeans who judge them a delicacy.

The further out I went on the islands, the taller became the mountains, the wilder the landscape. Finally, on Moskenes, I stopped at the fishing huts of Sivert Sivertsen.

Barrel-chested Sivertsen went to sea when he was 14 and has been fishing ever since. Arctic fishing, most of which takes place in the winter, is a gruelling, merciless profession and today, at 57, Sivertsen has slowed a little. In his 32ft boat, the *Nyboen*, he used to catch 40 tonnes of cod a year and more. Today, with a cod quota in force, he is only allowed to take 17 tonnes, and spends fewer weeks at sea. He fills in the extra time looking after guests in his *rorbu* and taking them out sports fishing.

Rorbu are found in almost all seaside Lofoten villages. Small wooden huts built on piles over the water, they are used by fishermen in winter. In summer they are let out to tourists, and make some of the most comfortable and picturesque accommodation on the islands. I stayed a couple of days in one of Sivertsen's snug self-catering *rorbu* in the village of Reine, and found myself not wanting to leave.

Outside, against the backdrop of the black mountain that hangs over the village, water lapped against the rocks, gulls cried and boats came and went. Inside, I sat in my little kitchen trying to figure out a way to cook a 6lb cod.

When we set off in the *Nyboen* that morning, Sivertsen had told me that fish were not as numerous as they used to be. I had difficulty imagining how it used to be, for we had no sooner put a line over the side and begun jigging it up and down than we had a cod.

I fried it in batter, and for the first time in my life found out how fish and chips should taste. I began thinking of ways to get fresh cod off the Lofoten Islands, out of Scandinavia and down to the little chippy at the end of my street in London.

■ *Information on the Lofoten Islands can be had by contacting the Lofoten Tourist Board, Svolvaer, Norway, tel: 7-60-73000, fax: 7-60-73001. Rorbu accommodation can be difficult in high summer and should be booked beforehand. Sivert Sivertsen can be contacted in Reine on 7-60-92239.*

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TRAVEL

Charm amid the Algarve frenzy

In spite of British incursions, Albufeira retains its character, says ***Stephen Court***

We lingered at the shoe stall for a moment too long. "You, my friend. What size? What size you?" barked a burly woman as she marched up to us. She gripped my wife's arm tightly. "3,500 escudos... 3,000... 2,500," the woman growled, thinking our attempts to walk away were merely a ploy.

"Good shoe. This very good leather", she said through her moustache, and bent a moccasin back and forth in powerful hands.

Her stand was the nearest to the road at the edge of the gypsy market, sited in a field just outside Albufeira, on Portugal's Algarve coast. We later saw the woman and a male accomplice selling loafers to an elderly, gangling American, whom they hauled in and out of a chair like a puppet while he tried the shoes on.

In all, there were around 100 stalls at the market, offering shoes, shirts, pottery, rabbits, leather bags, underwear, salted codfish, dried beans and three-piece suites. There was plenty of flotsam and jetsam: Portuguese-made shoes, blouses, rugs from India, and towels decorated with the Manchester United crest.

Most of the traders had dark curly hair and swarthy skin. It was not difficult to imagine in them the blood of the Moors who once dominated the region, and gave the Algarve its name (their term *al gharb* meaning the western land).

Behind the gypsies' vans, women washed clothes, and cooked food on primus stoves. Children ran around. Scrawny dogs, chained to the vans, lay quiet in the dust.

We found three stalls run by expatriate British. There was a couple selling T-shirts from a red van, a woman selling miniature paintings, and a man making jewellery from old coins. In the end we bought some ceramics, a bag of monkey-nuts, and two T-shirts from the British couple – but no shoes. Until a few years ago, Albufeira was a fishing village. Now it is a growing town. Shops, bars, supermarkets, hotels and "aparthotels" are stacked on top of each other, scrambling up the hill away from the sea.

In spite of this frenzy of development, the narrow lanes in the town centre retain their charm. Small terraces of white-walled cottages suddenly open out to a magnificent view of the Atlantic. The smell of wood-smoke mingles with the warm sea breeze.

You get to the beach via a tunnel which has been cut through the cliffs. There were about a dozen fishing-boats beached on the sand. During the day, the fishermen mended and baited their nets. At night they went out into the bay, their lights twinkling on the horizon under the bright stars.

One morning we went down to the harbour to watch the boats return. The men piloted their craft through the surf and into the sand at the sea's edge. A tractor hauled the boats up the shore.

A few locals, along with a knot of tourists and stray dogs, gathered around a boat that had come to rest on the beach. Two fishermen, stocky and stubby-fingered, with hands and faces like dark leather, squatted in the hull, sorting through their catch. They took sole and sea bream up to the fish market, leaving the onlookers to take their pick of the rest.

Eels and sardines – still wriggling and twitching – were stuffed into carrier bags. No-one was interested, though, in the two squid that lay in the bottom of the boat, puffing flabbily, slowly dying without water. When the fishermen returned, those who had helped themselves to the catch paid up. The small crowd then drifted across the sand to another crew that had just come ashore.

At Albufeira, the distance fish travel from the net to the table is short. There is a restaurant right above the fish market, and the attractive, compact quayside is crammed with outdoor tables.

The long, sandy beaches of the Algarve are excellent for a day's walking. One morning we set off to walk along the coastal footpath from Albufeira east towards Vilamoura. The air was fresh, and the slight chill was slowly giving way to spring warmth. Once we had left the main beach at Albufeira there were very few people around. We walked barefoot through the surf.

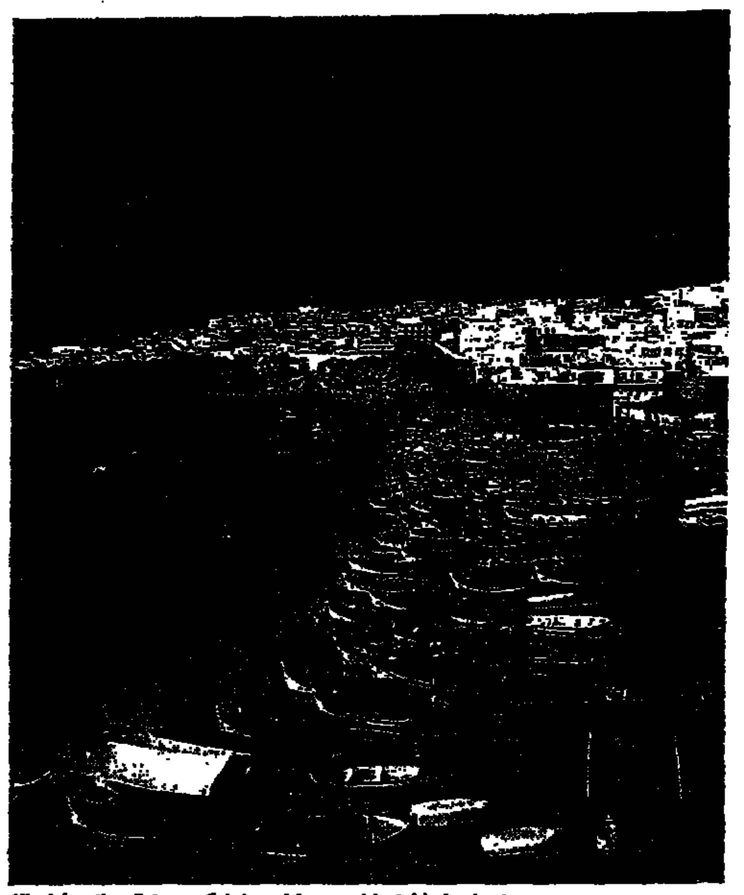
From the beach, the sharp outlines of white-washed walls dazzled against the deep blue sky. Crumbling ochre cliffs rose from the long stretches of sand. The cliffs were thickly covered with a succulent plant with fleshy, wedge-like leaves. Its flowers, shaped like sea anemones, slowly opened to the sun. Trees stuck out from the cliff-tops at bizarre angles; at their feet were spiky plants with curling blade-shaped leaves, standing sentry.

Everywhere, the sea was eating into the coastline, turning it into a honeycomb of crumbling caves and overhanging ledges. Along the beach there were large and newly arrived-looking boulders. Where the beach became impassable, the path went up over the cliffs.

We came across three men in waders dredging for shellfish. They were slowly dragging box-shaped nets through the sand. The waves washed away the sand, leaving the shellfish at the bottom of the net. It looked hot, grinding work. By the middle of the day, each had harvested less than a bucketful.

The furthest point east on our walk was the village of Olhos d'Agua. Its seaside stalls were opening for the summer season. There was also a bar, run by British expatriates, offering pale ale and strawberries with cream.

We sat at a shaded table outside, and ordered sardines with salad. We should have known better. When the sardines arrived, they had not been grilled in the local style. They were done in batter, and served with sliced white bread. The only thing missing was the chips.



Albufeira: the distance fish travel from net to table is short — Michael Reed

PROPERTY

Palladian-style Mirabelle House, in Sandy Lane, Barbados, with spectacular sea views, was sold recently for around \$3.5m

The Caribbean's allure

***Vanessa Houlder** on the growing accessibility of a rich man's playground*

The Caribbean has long been the playground of the rich. But as the cost of flights has fallen and the islands have become more developed, the possibility of buying property in the Caribbean has been opened up to larger numbers.

The allure of the Caribbean, with its white sands, turquoise seas and carefree atmosphere, is such that even casual visitors are persuaded to buy holiday homes there.

The range of property on offer is large: from luxurious villas offering privacy and exclusiveness, to modest apartments in resorts boasting discos and casinos. Buyers can walk into ready-furnished villas or else they can start from scratch on a plot of their own.

Potential buyers can choose between bustling islands like Antigua, where it is possible to party every night, to tiny, exclusive islands which are peaceful and charming. Recluses can play the part of Robinson Crusoe by buying their own private islands. In the British Virgin Islands, for instance, Green Cay and Sandy Spit – a one-acre island rimmed by white sands and reefs – is being offered for sale by Smiths Gore at \$1.7m.

Property values are now back to 1984 levels having fallen 40 per cent since the boom in 1987-1989, when values were supported by an influx of money from high earners abroad. Some of the most expensive properties are not bargains, however. "People who are not forced to sell are not prepared to drop the price," says Fred Connell, of Smiths Gore, property consultants.

Caribbean islands vary greatly in their terrains, atmosphere and languages, typically English, French and Dutch. Barbados, which ranks as one of the most sophisticated, well-established and expensive of the Caribbean islands, is the most popular for British buyers, followed by the British Virgin Islands, St Lucia and Antigua.

Most potential buyers of Caribbean property want to visit a number of islands before making a decision. "People investigating buying properties in the Caribbean take their time," says John German, of Cluttons.

He is marketing property on the island of Providenciales in the Turks and Caicos Islands, an English-speaking island known for its scuba diving. The Richmond Hill Estates, for example, has eight four-bedroom, three-bathroom villas for sale, half a mile from the sea, in a complex with tennis court and swimming pool for sale for \$265,000 (£171,000). Beach-front property is more expensive: the asking price for a three-bedroom beach-front property is \$950,000. The company is also acting for Isles Bay Plantation in Montserrat, a British colony, 27 miles south-west of Antigua.

Isles Bay Planation has two remaining houses for sale, although it has additional sites awaiting development. The villas are Caribbean style, complete with verandas, shaded loggias, double-height ceilings and natural timbers.

Prices ranges from \$300,000 for a two-bedroom house to \$695,000 for a five-bedroom house. Management charges are about \$6,000 a year for looking after the houses, pools, gardens and rentals for the owners. Montserrat has just abolished exchanges controls, which will allow buyers to raise a mortgage in US dollars at far cheaper rates than Eastern Caribbean dollars.

Nearby Antigua is more highly developed. The island, which was colonised in 1623 by English settlers, boasts 365 beaches and a developed tourist industry with plenty of restaurants, car hire, golf and scuba diving facilities. The building boom, which began in the mid-1980s, together with the sharp decline in the market, has left an abundance of property, at a range of prices.

At the market's cheaper end, buyers could consider Jolly Harbour, on the west coast of Antigua. The project, which was developed by Dr Alfred Erhart, a Swiss entrepreneur who pioneered mass market tourism in Majorca, is one of the largest developments in the Caribbean.

The 500-acre scheme, centred around a marina, comprises 500 two-bedroom terraced houses – each with a private jetty. The villas cost around \$125,000; the management charge is currently \$120 a month. Plots of land are for sale for hundreds more houses.

Round the coast, the St James's Club village on Mamora Bay consists of 73 two-bedroom villas, set in tropical gardens with three swimming pools. Prices range from \$350,000 to \$475,000. Service charges are about \$1,200 a month: insurance is about \$2,000 dollars a year.

Jumby Bay Island is an island of 300 acres two miles north of Antigua. The shortage of rain is a boon to holiday makers although it gives the place an arid appearance.

Jumby Bay prides itself on its quiet exclusiveness, which is reinforced by the absence of television, radio and telephones from the island. It has 12 villas for sale at prices between \$1.2m and \$1.5m. Its beach-front villas are clusters of buildings around a terraced patio sheltered by a large umbrella roof.

The majority of developers offer to organise rentals for purchasers, which will help them with their running costs. These are often heavy because of high local taxation and high repair and maintenance bills.

"If you want to let the property, it is best to buy near a golf course, marina or holiday cottage complex," says Allan Lazurus, of Prime Property Services. The best chances of obtaining a letting are in the high season between November and May.

But the charm of the islands should not seduce potential buyers into ignoring the possible disadvantages of buying property in the Caribbean.

"Our advice is to buy with no expectation of economic return," says Connell. "If you can get a holiday home to keep its value, you have done quite well."

■ For more information in the UK ring: Prime Property Services (071-627 1313); Jolly Harbour, Villa Sales Information (0932-786805); Cluttons (071-408 1010); or Smiths Gore (071-222 4054).

Gardening

Just dying for a drink

Robin Lane Fox is trying to beat the weather in his corner of Oxfordshire

The rain has been circling around Britain but it refuses to land on my garden. I am living like the ancient men of Santorini. On their Greek island, they are said to have endured a drought for seven years because they did not do what a god had told them. Since June 3, it has rained once in my Oxfordshire garden and the phloxes are hating it.

The Santorini solution was to uproot part of the male population and send them away.

The exiles from the drought found a new home in Libya. Later, their new city was famous for saffron crocus, which they had either taken with them or had sent on by a subsequent boat.

Should I wrap-up my crocuses and make a bolt for it? Dry weather sorts out keen gardeners from the rest but, unless it lasts for another six years, it will not make me uproot. However, it will teach us all some basic truths about gardening.

The first is about weeds. You may wonder why serious gardeners are so keen to pull them out or poison them. The answer is not just visual or psychological. Weeds compete for water and if you let them run around, as the mindless school of "green" gardening commands, the results show in a dry spell. Weeds make drought worse.

The second truth is about roots. Theoretical experts sometimes like to tell us that there is no point in watering plants during dry weather or in feeding them through their leaves.

I believe this to be non-gardeners' rubbish. It does not distinguish between newly-planted and established plants, between deep and shallow roots and between loose notions of "plant food" and their need to drink.

Probably, we can make little difference to an established tree which is beginning to flag in hot weather, even if we water it for half a day. We can, however, save newly-planted trees, shrubs and border plants and we must do so, extending our saving act to anything up to three years old.

We must also remember that some plants send fine roots along the surface and are always the better for a soaking. Others will either push – or be coaxed into pushing – their roots down to a depth where they can draw on cool reserves.

Even so, it is quite wrong to tell gardeners that these sorts of plant can be left alone. In their early years, they also need support from us, whether hostas or hellebores, and only then will they push down and need no further assistance. If a recently-planted hosta or day lily is flagging, for heaven's sake water it at once.

Droughts also deny our plants their "food". The basic fact is that plants cannot eat, although writers and advertisers imply that they can. They are sustained by liquid intake and uptake.

Experts may argue that attempts to spray fertiliser in a liquid form on to a plant's leaves are unsatisfactory because so little hits the target and is taken up. From my constant experience and counter-experiment, I know that their argument is not one for inaction. Those plants which are excluded from this treatment are noticeably worse.

Lastly, the matter of leaves and toughness. All around you, you will see once again the evidence that plants with silver, furry, thickly-coated leaves are surviving without any particular trouble. They remind you of the value of matching a plant's natural preference to its predicament in your garden, if you want a trouble-free life.

I notice the relative happiness of my trees with glossy green or grey leaves, the alders, the ornamental pears and particular forms of Sorbus. I also notice the exceptional happiness of the blue-flowered, grey-leaved Teucrium and the flourishing of all forms of Salvia.

If the ancient men of Santorini had grown the curious green and black Salvia discolor and the lovely half-hardy new Indigo Spires, they would have packed them off to Libya with the crocus.

If I have to bolt for it, this type of plant is the one which I would take to a second home and a new start on the Mediterranean fringe.

PERSPECTIVES

Dispatches: Jerusalem/**Nigel Spivey**

A journey to the heart of Zionism

The highway from Tel Aviv to Jerusalem is a brief but significant route. It is more than a road. It is a road heavily annotated, a road turned scripture.

First you pass a Trappist monastery; then a British garrison fort, still trim and intact; then, less pristine, a Crusader castle; and then, amid eucalyptus trees planted on steep hillsides by Jewish settlers in the last century, you see more recent wreckage: burnt-out tanks, rusted vehicles and the skewed limbs of derelict artillery. These are not eyesores but studied relics of Israeli and Arab claims to Jerusalem. You are headed for a dearly disputed place.

The harbingers of Jerusalem seem half-designed to heighten your first visit. And if you arrive with no more than a childhood, chapel-bred vision of it, Jerusalem, at a distance, is entirely gratifying.

It *is* golden. Ronald Storrs, when appointed British military governor of the city in 1917, must have had those hymns of heavenly Jerusalem echoing in his mind when, like Bernard of Cluny, he indicated that he wanted a radiant focus for contemplation.

He ordered that all planning permission oblige the use of local stone. And it is a law that still prevails: there are new buildings rising wherever one looks in Jerusalem. Even the most brutal high-rise hotel is clad with the local pink-to-amber stone. The city glows.

I walked into old Jerusalem, as the pilgrims traditionally do, by the Jaffa gate. Inside an hour I realised that the hymns in my life had not properly prepared me. The topography of green hills and city walls is, not surprisingly, all wrong.

But no Christian with a priming of aesthetic sensibility can fail to cringe at the Gospel theme-park created here. It is largely 19th century work, now invested with the fripperies of late 20th century tourism.

Having run the gauntlet of hawkers to reach the Holy Sepulchre, there is no sanctuary; Calvary is a palace of gaudy altars, tombs, cisterns and grottoes, in the precincts of which six separate Christian factions sedulously compete for the pilgrim's custom. I suffered as two rival guides bartered their prices for the Via Dolorosa, before making my own sad way to Gethsemane.

Some dignity and loveliness are retained by the Mount of Olives. Yet the verdict must be that Christian Jerusalem is not so much golden as brassy.

One progresses, at least architecturally, to the Dome of the Rock. The Christian guidebooks admit that the Dome is an outstanding example of Islamic design, and together with the nearby al-Aqsa Mosque offers a marvellous panorama, up on the parapet of what used to be Herod's great temple.

But the ambling, camcording hordes of the Gospel theme-park tend not to make it up here. It is the third holiest site of Islam. Perhaps the most sensible reaction of the non-Moslem is not to moralise on the impossibility of peace here, but to do as Winston Churchill did in 1922. Having briskly set up the principality of Transjordan, he went to the Rock and set up his easel.

With a recent call from Yasser Arafat for a *jihad* or holy war on Jerusalem causing much chatter in Israel – in Israel, everyone is a member of the chattering class – I was not alarmed to be thoroughly frisked before approaching the Wailing Wall, which completes the religious Disneyland that is the old city of Jerusalem.

Under the colossal blocks of the western side of Herod's temple, which the Romans ruined 2,000 years ago, Jews – mostly black-clad and Orthodox: black-clad because they are still mourning the temple's loss – muttered and prayed.

Mount Zion itself is only a few minutes away. But I now understood why Zionism, the movement which launched the concept of Israel about a century ago, is essentially secular. Theodor Herzl, who convened the first Zionist congress at Basle in 1897, toyed with both Argentina and Uganda as potential homes for the Jews.

Jerusalem is a significant city only for fundamentalist Christians, fundamentalist Moslems and fundamentalist Jews. Zionists prefer it to be theirs, as they prefer Palestine to Argentina. But to become a convert to Zionism, you must move on from Jerusalem.

'I slept on the sofa of an Auschwitz survivor: a hedonistic Transylvanian'

Looking at a map, the state of Israel is really just as Balfour described it: "a small notch" surrounded by vast tracts of Arabia. When one discovers how much of that small notch is desert, the geopolitical complaint that animates so many Zionists – why do the Arabs begrudge us this tiny territory, when they have so much? – is difficult to discard.

I travelled down to the northerly part of the Negev desert. Invited to lecture at the newish Ben Gurion University at Beersheba, my only briefing was not to bother with a jacket or tie for the occasion.

True, it was powerfully hot, even within this oasis. But the advice to leave jacket and tie at home was not given solely out of solicitude for my comfort. It was also a deferral to the shirt-sleeves, no-nonsense persona of Ben Gurion – Labour leader of Israel, with one interruption, from 1948 to 1963 – and the pioneer ambience of this town.

I took it to be a model of Zionist aims. New inhabitants arrive on an almost weekly basis. New houses, new roads, new schools are accordingly constructed. The university specialises in research on water extraction. At Beersheba, the desert is in retreat.

I slept on the sofa of an Auschwitz survivor: an impressively hedonistic Transylvanian woman, whose compensation pension from the German government helps keep her drinks cabinet stocked. She swept aside my suggestion that life in this desert outpost might be dull.

"Nonsense," she boomed. "We have more concerts here than we can go to. Didn't you know that every plane-load of Russian Jews brings us a new orchestra?"

It is a familiar joke in Israel, that Russian Jewry – pouring into the country at such a rate that supermarket milk cartons carry Cyrillic instructions – are all professors and piano-tuners. And there was a genuine sense of mystery, among the people I talked to, about the economics of this sustained influx. There is no evident onset of unemployment, in spite of the continued use of cheap Arab labour for most manual work.

Hebrew is taught by a patently successful intensive technique (in spite of the milk cartons): voluble and abrasive as Israelis famously are, their discordance is minimal. And they know it.

As befitted a visitor to Ben Gurion University, I was taken to a nearby kibbutz. I had already learned to recognise a kibbutznik when I saw one: any young person who looks as though he or she has drunk vinegar for breakfast. The system breeds seriousness.

Many of those raised by kibbutz collectivism go on to hold high office in Israel. The reason why many Israeli cabinet ministers carry the air of those who know how to plough a field is that many Israeli cabinet ministers have indeed ploughed fields in their time.

Since 1967 and the occupation of the West Bank, this kibbutz can no longer be described as a border settlement; but the laager mentality of its workers persists insofar as each takes a turn at guard duty, and immediately adjacent to the school is a large concrete bunker.

My shirt-sleeved host and I inspected dozens of bright little kibbutz-reared piglets, which brought more confirmation of the secular basis to Zionism.

"How could anyone regard these creatures as unclean?" we agreed. And, at a communal supper, as we talked about the withdrawal from the Gaza Strip, the fall-off in Russian arms supplies to Syria and the consequently predicted evacuation of the Golan Heights, I gathered a further truth about Zionism.

Namely, that Zionism is not strictly a nationalistic movement. Patriotic, yes; but not nationalistic. Zionists have sought a space for Jews in which Jews can be Jewish without looking over their shoulders, a community in which Jews are, at last, not a minority. To yield up the Golan Heights is not a matter of national pride, but strategy. If it is safe to do so, it can be done. What is important is that Israel – the notch – survives.

Clues to its survival can be gleaned at Masada, a natural fortress monumentalised by one of the world's great megalomaniacs, occupied by fanatics and besieged by history's most dedicated imperialists.

Few archaeological sites match Masada for dramatic scenery and storyline. Looking down from the Herodian fastness from which Jewish zealots resisted Roman rule, one is morbidly entranced by the relics of a terrible narrative.

Ringed by copybook Roman encampments – all visible from above – and bombarded by siege engines, the zealots could do no more than watch the Romans build an enormous earthen ramp up to their walls. On the eve of the breach, they committed mass suicide.

Why the Romans expended such effort to trap less than 1,000 militants is a question that still perplexes ancient historians. But modern Israelis see the paradigm clearly enough: recruits to the Armour Corps are sworn in at this site. The oath is hinged with implicit vengeance. *"Masada must never happen again."*

Most Zionists would admit that the zealots of Masada were, like their ultra-Orthodox counterparts today, the sort of Jews who would despise any secular state. But that does not prevent Masada from serving both as an emblem and as a cautionary metaphor for modern Israel.

Most Israelis know the site well, and they are easy to distinguish from other visitors: as some people carry mobile phones, so Israelis carry machine-guns. The very excavation of the site, 30 years ago, was an operation that owed more to military logistics than archaeological expertise. And one does not have to travel very far from Masada to join the ambience of virtual combat: checkpoints and barbed wire replace mudpack therapies as the litoral road along the Dead Sea gets closer to Palestinian Jericho.

Other memorials in Israel may speed an impartial visitor more swiftly into sympathy with the Zionist cause but Masada put the seal on my conversion.

Its strength as an epitome does not lie with the historical identity of those who occupied it: fundamentalists, whether Jewish or Moslem, may yet wreck the state of Israel. Nor can it be said to provide a precedent for a Jewish state in this part of the world: 2,000 years ago, "Judaea" was never a nation in the modern sense, and neither, come to that, was Palestine.

What Masada stands for is the endurance of a culture. It is, in archaeological form, a centre of gravity for whatever it is that defines Judaism, whatever that is – an essence, a cement that unites people to fight for themselves. Those without such bonds will come away from old Masada, and new Israel, with some relief, but more envy.

Jerusalem: not so much golden as brassy

Ross Bray, Wildrack Media

Sailing/**Keith Wheatley**

Old money in Newport

The New York Yacht Club is 150

Newport 100 years ago was New York-by-the-sea. When hot, humid summer came, the affluent closed up the brownstone houses on Fifth or Madison and came to Rhode Island.

Nothing much has changed, least of all the family names. This week the New York Yacht Club has been celebrating its 150th birthday (being the NYYC, of course, it has to be the tongue-knotting Sesquicentennial Regatta). When the result lists go up, a du Pont can be found next to a Doubleday.

As the yachts headed out into Naragansett Sound all the chatter and pointing was towards the yellow-painted house on the headland. As a dynastic town Newport loves nothing better than a will, and Jackie Kennedy's had just been published. Hammersmith Farm, the seaside retreat where the young Jacqueline Bouvier spent her childhood riding ponies and sailing, came to symbolise the Kennedy presence in Newport.

After her marriage to John F Kennedy at St Mary's Church, the wedding party was held at this glorious pale yellow mansion overlooking the Atlantic. Once JFK became president, the house became the summer White House for the first family.

Of course, it is no more a farm than Blenheim is a country rectory. That is another quaint Newport custom. The Italianate palaces out on Ocean Drive, built at the turn of the century for families such as Vanderbilt or Astor, are invariably known as "cottages". When probate was granted and "the farm" was left to stepbrother Hugh Auchinloss, *le tout* Newport heaved a discreet collective sigh. The two Kennedy children had been bequeathed the other waterfont property on Martha's Vineyard 50 miles away. That should keep the *paparazzi* out of town for another generation.

As the sporting home of the fabled America's Cup for 100 years or so, one might have supposed that Newport and the club might have grown used to the media. After all, Harold Vanderbilt, racing Sir Thomas Lipton for the oldest trophy in international competition, was hardly low-profile, even in the 1930s.

Then, as now, the NYYC simply adopted a marvellous disdain. Journalists wanting to cover this week's splendid and historic regatta were told that it was private, "by invitation only". Race results, numerical tables of times and handicaps with as much flavour as packet soup, would be available from a *subfusc* office in a shopping mall.

Perhaps they should not have been so discreet. When the club let its hair down, the scenes were wondrous to behold. The steep sloping lawns in front of Harbour Court, the waterfront mansion it calls home, became impromptu grass slides for younger crew and, after cocktails, their parents.

Many yachting enthusiasts from around the world were sharing the magic of Newport for the first time. The NYYC had invited sailors from clubs such as the Royal Yacht Squadron and Royal Thames Yacht Club to come and race with them.

"We've been almost a year building up to this and I think its bloody marvellous," said Mike Slade, a London property man and owner of *Longobarda*, one of the world's top maxi yachts.

If that sounds a lot of preparation for a week's sailing, consider that the 80ft *Longobarda* sails with a crew of 24, a mixture of family, friends and professional racers. In her wake follows a baggage train of spare sails, ropes, and even carbon fibre to repair the hull should it prove necessary.

Surely Slade, who heads Helical Bar, fits into the classic definition of yacht-racing as tearing up £20 notes under a shower.

Slade bristles, in his amiable way. "This, believe it or not, is a business. She's available for major regattas at $50,000 a week and we'll do two, maybe three, charters this year," he said. "It should cover the running costs."

Next week *Longobarda* sails for Australia and a customer who wants to race the Sydney-Hobart classic in December.

Bill Koch, the US amateur sailor who won the America's Cup two years ago after an expenditure of treasure that startled even the battle-hardened, is in Newport with two yachts and a cast of thousands. Next spring Koch defends the America's Cup with an all-woman crew, a radical move that has shaken the NYYC, who cannot quite make up their minds even about lady members.

Thirty-four athletic women, ranging from top dinghy helms to Olympic rowers, are racing Koch's crack maxi *Matador2*. He had her brought out of storage in Antibes especially.

Koch himself, an engagingly diffident, self-deprecating individual and one of the richest men in America, has brought a classic 12-metre, *Kiwi Magic*, over from New Zealand solely for the week. At the two rented crew houses a marquee has had to be erected to host dinner for the crews, coaches, and hangers-on.

"We won't spend anything like we did in the last Cup," said Koch, patting what he likes to call his $68m belt buckle. The logoed clip on his belt is from the 1992 *America3* campaign: $68m was the net cost, after deducting sponsorship.

FT Ski Expedition/**Arnie Wilson**

Welcome snow

Arnie Wilson and Lucy Dicker are trying to ski every day of 1994 on a round-the-world expedition. They are currently in South America.

Heini Kempel was pleased to see the snow-laden clouds. The snow, he said, was desperately needed. The contrast between the rain-sodden Gran Catedral of the last few days and the same resort under snow was stark.

Before the snow, the ski schools – five major ones and innumerable splinter groups – at South America's biggest and oldest ski area, near San Carlos de Bariloche, had been in disarray trying to cope with thousands of students on coach tours from Buenos Aires.

The *tira bolas*, or snowball throwers, flock to Argentina's ski areas in the school holidays, and ride to the mountain-top to admire the view. "Normally we persuade quite a few to try skiing while they're here, and many return the following year on a proper skiing holiday," says Kempel, director of the Escuela Esqui Catedral, the main ski school at Gran Catedral.

But the weather has been a big problem: "We've been losing so much business," he says.

Heini, one of the Argentine demonstration team's crack skiers, is a real find. He leaps to his feet in restaurants and bars at the slightest query about technique and delivers an impassioned half-hour impromptu ski lesson.

The Argentines have an impressive ski school programme, and he is not slow to criticise the Swiss and the French.

This year we have skied with instructors from 11 countries, all with different ideas about technique.

With 50 runs, 32 lifts and a vertical drop of 3,280ft, Bariloche is an excellent ski area. The planned new jumbo gondolas, the much bigger cable car (the present one holds only 25) and two high-speed quad chairs should substantially improve it.

The resort's first cable car sank to the bottom of the Atlantic after a cargo ship from Italy was sunk at the start of the second world war. They had to wait 11 years for a replacement.

Motoring/**Stuart Marshall**

A hot hatch

Why have a family hatchback that looks exactly what it is when you could have one, still with five doors and four seats, that could be taken for £30,000-worth of high performance coupé?

That is the rationale behind Mazda's new 323 which goes on sale in Britain on August 17, priced from £11,995 upwards.

The launch of the 323 is another sign of Mazda's determination to become the chief niche marketeer in the world. It knows it will never be a VW or Ford, Toyota or Fiat in production volume so it is aiming to fill gaps.

Britain is the first European country to get the new 323. For the time being, there are just three models – a 1.5-litre four-cylinder in GL and GLX trim and a 2-litre V6 GLX. Three-door hatchback and four-door saloon versions will follow later in the year when a 1.8-litre engine will also become available.

There was a lot of design input into the new 323 from Mazda's research and development facility in Frankfurt, as there had been earlier with the Xedos 6 and 9 models. The result is that the 323 feels a thoroughly European car with all the finesse one expects of a Japanese product.

Mazda says its objective for the 323 was to combine sportiness with refinement, individuality with concern for safety and environmental protection. Don't they all say that nowadays? Of course they do. But, having sampled 323 fastbacks with both engines, I can confirm their sporty handling and mechanical refinement. As for their looks, I reckon nothing touches them in their class.

I first drove the 1.5-litre GLX (£12,595). The engine, although smaller than the old 323's 88 horsepower 1.6-litre, is slightly more muscular, producing a silky 90 horsepower at 5,500rpm. Torque (pulling power at a given engine speed) is unchanged. The 1.5 GLX rode comfortably and demanded little gear changing in urban areas, handled nimbly on country roads and cruised quietly on the motorway.

Delicate controls, effortless power-assisted steering and minimal road-induced tyre noise made it a most relaxing car to travel in. The driving position was comfortable although tall people of mature years may find both front and back seats on the low side for easy entry and, especially, egress.

I rated the performance and acceleration more than adequate. Mazda claims a 108mph/174kph maximum speed and 0-60mph (0-96kph) acceleration in 11.9 seconds. Fuel consumption should be up to 36mpg (7.85 l/100km) in normal use.

The 323 V6 I tried next was a hotter property altogether, with 147 horsepower at 6000rpm and wide 50 series tyres on 16in alloy wheels.

It is much more expensive (£17,495), which puts it into VW Golf V6 territory. Top speed is a claimed 129mph (207kph), with 0-60mph (0-96kph) acceleration in 9.4 seconds. Only uncharacteristically light-footed owners should expect to see more than 31mpg (9.1 l/100km).

Naturally, it felt far more eager than the 1.5-litre 323 but – as usual – I preferred the smaller engined car, which has taller and more resilient 70 series tyres on 13in wheels.

Squat and sporty tyres increase cornering power and make for nervously responsive steering but they exact a comfort penalty. Although it was fine on a smooth motorway, the V6's ride was much more knobbly at low speeds and there was a lot of tyre roar on coarsely textured surfaces.

All 323s have power-operated front windows, mirrors and radio aerial, a pollen filter and seatbelt pre-tensioners. Driver's and front passenger's air bags are standard on the 1.5i GLX and 2.0i V6 but not on the 1.5i GL. A five-speed manual gearbox is standard on all 323s.

Mazda says the boot has class-leading volume but it looked too narrow to pass my "two sets of golf clubs in their trolleys" test and has an exceptionally deep rear sill. Neither of which, I suspect, will do anything to harm sales of this most glamorous looking hatchback.

BOOKS

A dip into the well of Tory inspiration

Patience is needed to draw on the true values of life, says ***Alan Clark***

I am a real Tory. I was brought up on Henty, John Buchan and Jane's *Fighting Ships*. I believe, not assertively but in a relaxed and natural way that my country is the best, the most congenial place to live, the land whose preservation is worth any sacrifice.

This attitude, and the sense of decorum that goes with it, was devastated by the Great War. It survived into the 1930s (when at the age of six I read my first "book" – in popular parlance the term now denotes a soft-bound comic – *King Solomon's Mines*) only in reflex, and was all but demolished by the great Labour landslide of 1945.

The Conservative Party did not just "adapt"; it changed practically everything except its name. Through Macmillan's soft-optioneering, Heath's balance-sheet corporatism to Thatcher's "market" brutality.

So what are we? We can always buy an "image", I suppose, from a good PR firm. And keep them on a retainer to tune and burnish it. But with loss of identity comes loss of confidence, then loss of nerve (and if you do not believe this just watch what happens to the Labour Party over the next couple of years).

Yet now a wonderful book has appeared, which illuminates our Party from an unusual angle. There is barely one word of politics in the text – but the combination of history, aesthetics and scholarship provide a deep well from which real Tories can draw inspiration.

The essential theme is a recurrent one. With England seen as a noble estate, and the landed interest in general as its ancient defenders, the image of a country house amid old plantations and well managed farms easily comes to convey a wide range of sentimental and political meaning. It seems to represent the real England, besieged by ugly, alien and inhuman forces of change. The traditional country house can be portrayed as an ancient centre of order, cultivation and disinterestedness.

Nigel Everett illustrates this thesis by drawing on the writings – fiction as well as records and surveys – of successive periods as well as the art, the paintings, the architecture and the gardens. He never proselytises. Indeed, it is not always certain which "side" he is on. All the better. The reader has to think, make his own judgments, which in the very nature of things, alter as the evidence accumulates.

There is a permanent tension, between the ancient traditions and their benign stability, and the ever present threat of degradation. Human greed, "short-termism", the strong exploiting the weak beyond endurance, are pollutants every bit as damaging as an overdose of nitrates.

Take this verity: "Old England – slow, dignified, shaded, and beautiful with the public wandering freely through a variety of landscapes – has given way to the modern world of assertive privacy, ugliness and tension".

THE TORY VIEW OF LANDSCAPE
by Nigel Everett
Yale University Press £35, 248 pages

How true this is of practically anywhere in the south-east today. "Modern World"? You mean nose-to-tail traffic, Wimpy bars, police sirens, ghetto-blasters, farm shops selling "early" potatoes flown in from Cyprus? Well, no. This passage is a commentary on Humphrey Repton's illustrated notebook, published in 1792, when we were congratulating ourselves that the social harmony of our own kingdom was preserving us from the horrors of the *jacquerie*.

And there are other precursors. Here is Adam Smith (but I doubt if the wording is either familiar or congenial to the existing membership of that "institute" which bears his name): "A profitable speculation is presented as a public good because growth will stimulate demand, and everywhere diffuse comfort and improvement. No patriot or man of feeling could therefore oppose it (But) the nature of this growth, in opposition, for example to older ideas such as cultivation, is that it is at once undirected and infinitely self-generating in the endless demand for all the useless things in the world..."

As early as 1830 Cobbett was remarking that the (peasant) labourer was "... more comfortable where there are woods, forests and wild places, hedges commons and grassy lanes. His situation is at its worst where there are areas of high fertility devoted almost entirely to corn".

There are dark passages, it is true, in the history of Conservative magistracy. And none more terrible than the Highland clearances whose evidence in Sutherland, even to this day, can be seen in the pleasing homesteads, idyllically situated at the water's edge, burned by fire often started when the crofters' families were still inside, by the Dukes' militia.

But in the main our country was uniquely favoured in the temperate nature of its climate, its constitution, its manners, and its agriculturally based wealth. Comfort coincided with virtue, beauty, liberty, and easy social relations.

Tories (real Tories) can still draw encouragement from this. It remains a basic truth, deeply implanted in the subconscious of very many of our people. But if we are to draw full advantage therefrom we do need at times great patience – mirroring that of Nature herself.

"England as a noble estate, the landed interest its ancient defenders ... comfort coincided with virtue, beauty, liberty and easy social relations": Gainsbororough's portrait of Mr and Mrs Andrews (1748-49)

Doorman to the modern world

We read for many reasons, most of them not very lofty. Among the more significant are these two: that we need to understand ourselves, and to know our world. With the exception of Barbara Cartland-style pulp, most books do something for us in one or other direction. Great literature is great because it does much in both.

But great literature does not come off the presses every day. We could survive on a diet of mere competence – novels a shade thin; poetry a touch too strained – but our usual resource is to return to the classics, which have that status because they satisfy us richly.

There is however another resource, and it constitutes the most rapidly growing literary genre of the 20th century: biography. Biography fully meets the two needs noted, satisfying them through our curiosity

GALILEO: A LIFE
by James Reston Jnr
Cassell £18.99, 319 pages

about the lives, times and circumstances of our fellows. It is an essential human trait to gossip, to eavesdrop, spy and pry; and it is essential because without it none of us could be fully human or social. The only way we have of interpreting ourselves and others, and therefore of finding our way through the vast fabric of relationships that constitutes the social world, is to be primed with insight into human nature and its variety. Gossip is vital; literature, biography and history are gossip writ large; we therefore cannot live without them.

Anyone's life is interesting, even that of a village Hampden in a sequestered vale. But to read about great lives, lives which change the world, is to get not just biography but history. Galileo Galilei's life is historic in just this way. If any one man acted as doorman to the modern world, he has an excellent claim to the title. In this readable, characteristic example of the American style in popular biography, James Reston takes us through Galileo's tale, hooking it firmly to events in the contemporary world: the flight of the spacecraft Galileo to Jupiter, still taking place as this is written, and the decision of the Vatican in 1992 to acknowledge its fault in ill-treating Galileo three and a half centuries ago, by dragging him before the Inquisition, humiliating and imprisoning him.

Indeed Galileo's story is a microcosm of the epic struggle between science and religion. Galileo was inquisitive, inventive, mathematically adept. He was fascinated by the view above him in the clear Italian night sky. He perfected the telescope, and terrified the church by revealing more stars than had been guessed before, hitherto unseen satellites orbiting other planets, valleys and mountains on the surface of our moon.

Because scripture taught that the earth sits immovably in the centre of the universe, whose celestial spheres are driven round by angels, the church could not tolerate this new vertiginous cosmology. It threatened their authority. By threats and intimidation, Pope Urban VIII forced Galileo to recant his espousal of the Copernican system. That the church should only come to its own recantation in 1992 speaks volumes about the conflict of faith and reason.

Galileo was the son of a court musician who made some of the earliest experiments in opera. Galilei père had his son educated at the famous abbey of Vallombrosa, and then rescued him from a desire to remain there as a monk. As ever with fathers, he wished Galileo to follow a profession, and enrolled him at Pisa University to study medicine. But Galileo's heart lay in mathematics. By persistence and chutzpah he secured a lectureship first at Pisa and then at the more prestigious Padua University, and launched himself on his razor-edge dance of danger with the Inquisition.

Galileo not only made discoveries of the first importance in astronomy and physics – especially in the laws of motion, thus breaking the stranglehold of Aristotelian ideas – but he was also an inventive genius. He devised pendulums for clocks, ways of improving telescopes, instruments for measuring pulse-rate and temperature. His telescopic discoveries made him an international star; despite disgrace by the Inquisition he had correspondents and visitors from all over Europe, including among the latter Thomas Hobbes and John Milton – who set the fallen Lucifer's realm in a Tuscan landscape. All this is told in easy style by Reston, who is a novelist as well as a biographer, and uses those techniques to recreate mood and circumstance. Most of the many books about Galileo are not quite so pool-side as this, being more scholarly and philosophical; which is a reason for welcoming Reston's offering, as a pleasant introduction to an important life.

A.C. Grayling

Fiction/Joan Smith

Suitable cases for dramatic treatment

Elaine Feinstein's last novel, *Loving Brecht*, was a delicate, low-key evocation of a city, Berlin, in a period of turmoil. It approached its subject glancingly, telling the story of the playwright Bertolt Brecht through the eyes of a nightclub singer who had a long affair with him. Feinstein's new novel, *Dreamers*, is also about a city, this time 19th-century Vienna. It is more obviously historical, opening like an old Hollywood movie with the announcement of a date – 1848, year of revolutions – which tells us what kind of narrative to expect.

This is followed by a piece of celluloid scene-setting, a portentous authorial announcement which cries out for accompanying martial music: "It was a February morning in Vienna. The wind was blowing savagely from the east and a little snow was settling on the domes of green and bronze in the First District". From this panoramic view, Feinstein sweeps down to focus first on the houses, cake shops and coffee houses of the rich, then on the servants who are hard at work ministering to them.

These cinematic techniques are used throughout the book, cutting abruptly from the grandest of town houses to the garrets of the poor, from noisy crowd scenes to a child's deathbed. Most of Feinstein's characters are Jewish and her ambitious aim is to plot their struggle to survive and prosper as Metternich is overthrown and a new, more liberal order seems to be in the making in Austria.

Unfortunately, *Dreamers* has more than technique in common with the Hollywood costume dramas of the 1930s and '40s. People rush in and out making terse announcements: "Revolution in Paris. Barricades have gone up in the streets. Royal troops have fired on the crowd."

DREAMERS
by Elaine Feinstein
Macmillan £15.99, 339 pages

CONSEQUENCES
by Helen Muir
Simon & Schuster £15.99, 231 pages

The chief characters are a lovely but mysterious orphan, Clara, who cannot remember her origins; a child prodigy, Joseph, whose talent in playing the violin elevates him to international stardom; and Anton, the literary, left-leaning son of a fabulously wealthy banker. The novel spans 16 years of their lives without ever really bringing them alive as they move on and off Feinstein's richly-decorated sets like pretty, lovingly-crafted puppets.

Helen Muir's novel is constructed not like a Hollywood costume drama but a TV soap opera. Its characters are as unlikely as those in *Dreamers*; and its title, *Consequences*, suggests that they are all taking part in an elaborate comedy of manners.

Muir is best at dialogue, especially the jerky speech of a woman who has summoned up the courage to call a man who might not be interested in her: "Hello. I wondered how you were. You... you said you were going to ring me but you haven't. You sound a bit muffled at your end. Can you hear me? Have you got somebody there?"

Most of the characters meet at a ghastly singles club off the Cromwell Road, the men looking for sex and the women seeking something more romantic. Yet the novel cannot decide whether its keynote is farce or pathos, cruelly guying a character on one page and a moment later soliciting sympathy on his or her behalf.

Much of the plot stems from an incident at the club in which Leonard, a narcoleptic cartoon animator, tramples on his dancing partner, an over-dressed blonde in grey lamé who turns out to be a captain in the Life Guards. These are easy targets and it is a pity that Muir has settled for belly laughs rather than something which might really engage readers' hearts.

Soft targets of recent history

Malcolm Rutherford *suggests that this biographer is simply sniping at easy meat*

Three years ago Andrew Roberts made his mark as a historian with his admirable biography of Lord Halifax, the man who very nearly became Britain's wartime prime minister instead of Winston Churchill. He is currently writing a much-needed new biography of Lord Salisbury. Meanwhile, he has produced a pot-stirrer which should help keep his name in lights.

Eminent Churchillians is modelled on Lytton Strachey's *Eminent Victorians*, first published in 1918, and Roberts fully acknowledges the debt. Strachey introduced a new form of biographical writing: subjective, selective and short, and by no means wholly dependent on narrative. In his own words, he sought "a brevity which excludes everything that is redundant and nothing that is significant". He could praise as well as blame.

Roberts has many of the same qualities: incisive use of quotations, telling anecdotes and acquaintance with out of the way sources, especially diaries. Yet there is one huge difference. There was recognisably a Victorian era; there was no such thing as a recognisably Churchillian era.

Churchill was a man who, had it not been for the second world war, would have gone down as a political failure. Even then, he was defeated in the general election of 1945. When he came back in 1951, it was fairly well known that – to put it mildly – he was too old for the job. To call all that the Churchillian era is stretching historical licence. Much of the period might as well have been called the coalition era or even the Attlee era, which then led quite naturally to Butskellism: "wartime" and "postwar" are the simplest terms of all. The insistence that there was something distinctly Churchillian mars the book.

There is another fault. Roberts poses as a radical revisionist and, had he written 20 years ago, perhaps he would have been. In fact, he specialises in soft targets: King George VI, Lord Mountbatten, Sir Walter Monckton and Sir Arthur Bryant. I have not come across anyone for at least 15 years who regards any member of that quartet with uncritical admiration.

Roberts treats the king relatively gently, more sniping than shooting. He accuses him of naivete and writing a "fourth-form geography essay" after a meeting with Roosevelt. Yet if we have a hereditary monarchy, it is unreasonable to expect that they will all take firsts at Cambridge. The royal family's move to keep most of the dethroned sovereigns of Europe out of Britain – criticised by Roberts – seems rather astute.

Despite the fact that he was at least as much an Attlee man as a Churchillian, Mountbatten receives 80 pages. His vanity and care for his own reputation are undisputed. Yet, as Roberts writes, ultimately that reputation must stand on his record as the last Viceroy of India. Roberts condemns him for his acceleration of independence and partition.

EMINENT CHURCHILLIANS
by Andrew Roberts
Weidenfeld & Nicolson £20, 354 pages

Others will reach their own judgments. Despite the violence, it still seems one of the wisest decisions by the post-war British government (*i.e.* not by Mountbatten alone). One might look (as Roberts does not) at how other European countries tried to defend their overseas possessions after the time to leave: in France there was near civil war. Roberts appears to think that if Britain had stayed in India longer, and used air power to quell local difficulties, it might have been possible to impose democracy on the British parts of Africa.

Still, all that is hypothetical. The Roberts case against Walter Monckton is that he was too much of a charmer. As minister of labour, he always sought to resolve industrial disputes by splitting the difference between the employers' offer and the unions' demands. That is true, but was very much the climate of the time. Monckton's successor was Iain Macleod; he regarded Monckton as a hero. No-one then thought of trade union reforms *à la* Thatcher, just as (unmentioned by Roberts) no-one thought of Britain joining the original Common Market.

Arthur Bryant, as a fellow historian, is easy meat. Roberts tells the story of how close Bryant was to fascism right up to the war. There was a serious move to have him interned, but another historian, the now Lord Dacre, advised the authorities not to worry because Bryant would "change with the times", which he duly did.

The Dacre story is one of the best in the book. There is some other political tittle-tattle of the kind that will be enjoyed by those who like the diaries of Chips Channon and Alan Clark. But there is also a nasty streak. Historians should not seek to get away with statements like "Murphy was an active homosexual and extreme left-winger" without some elucidation, and the claim that Rab Butler's move to the Board of Education was the "wartime political equivalent of Port Stanley" reminds one of Lord Tebbit's recent remark that being president of the European Commission is like being chairman of Basingtoke Council. Indeed there is a touch of Tebbit – "the semi house-trained polecat" as Michael Foot called him – throughout *Eminent Churchillians*. On to Salisbury before it becomes catching.

Mountbatten: "His vanity and care for his own reputation are undisputed"

ARTS

Oddities in demand

*In a difficult year for the salerooms – as stock markets plummeted just before important auctions took place – **Antony Thorncroft** senses some optimism in the air*

Maharana Jagat Singh (1734-1751) riding an elephant while smoking a hookah, Udaipur, 1740: one of the Indian miniatures from the British Rail Pension Fund collection, which Sotheby's sold for a total of almost £500,000 in April. The fund remains one of the most successful investments in the art market

So it is steady as she goes. This week the leading auction houses totted up their takings for the season and cheered themselves up – just. Sales at Sotheby's were 19 per cent higher at £919m, while Christie's managed a 14 per cent lift to £781m. In dollar terms the results were not quite so impressive (rises of 15 per cent and 11 per cent respectively), and these days the big salerooms think in dollars. But they are entitled to put the best gloss possible on what has been a mildly encouraging year.

As Sotheby's president DeDe Brooks says "The best we could hope for was a good strong climb back. If we could grow by this rate every year we would be ecstatic. We've had some wonderful goods last season but prices have not moved much".

Sales might still be less than half the level achieved in the *annus mirabilis* of 1989-90 (when will Sotheby's match the $3.2b it recorded then?) but at least the worst is definitely over. A year ago the auction houses expected trade to pick up faster than it has, but they were basically very unlucky over the timing of their biggest auctions of the season, the important Impressionist and Modern picture sales in New York and London in May and June.

The autumn sales in the sector had been encouraging, with Sotheby's recording what turned out to be the highest price paid during the season of $13.75m (£9.34m) for one of Matisse's experimental cut outs. Their success lured on to the market some good – as well as some flashy and well hawked – pictures, which Sotheby's and Christie's fought over with all the cut-throat intensity that characterised the hyped up market of the late 1980s. To secure works by Monet, Gauguin, Sisley and Cézanne Christie's in New York gave the heirs of the late Neil McConnell a non-refundable advance in the region of $11m.

Unfortunately the stock markets in New York and London went into free fall just before both sets of auctions. The super rich caught fright and decided they could live without art. Christie's received the coldest blast and its sales were very disappointing. It failed to recoup its gamble on the McConnell pictures and presumably still has an unsold Cézanne in its strong room.

Sotheby's managed to get away its two major works in London, paintings by Manet and Monet, for £4.4m and £4.8m, and could claim a success. But this is still a weak market. In the late 1980s the auction houses raced ahead by selling Impressionist and modern art at ever rising prices (to a peak of $82.5m for a Van Gogh), usually to the Japanese. This sector accounted for over half their turnover. It now contributes nearer a quarter, and there are some doubts as to whether Impressionist paintings will return to the levels of 1989-90 for a decade.

Fortunately there will always be people who buy art because they love it, and they have become more active again in the past year. The prices that sellers were prepared to accept (or that were forced on them by auction houses desperate to boost sales) came into balance with the selective purses of potential buyers.

The feature of the season was the brisk trade in low and medium priced antiques. After all, the economy is improving; there is a great deal of money around in the City and elsewhere; and there is little attraction in storing it away at low interest rates. Lloyds is still not a major factor in bringing goods on to the market, although Phillips was helped by a spate of house sales when families sold up to meet tax demands. Such auctions invariably exceed their estimates and they helped raise Phillips turnover by 12.5 per cent in 1993-94 to £88m.

But the real star among the medium-sized auction houses was Christie's South Kensington which added 28 per cent to its turnover, weighing in with an impressive £50m. There were its usual idiosyncratic records – £39,600 for a camera (although it was gold plated); £203,500 for a car number plate, K1 NGS; and £22,100 for a Walt Disney poster.

Competition is becoming intense in this sector. This week Bonhams, which had another excellent year with a 21 per cent jump in sales to almost £34m, raised its charge to buyers from 10 to 15 per cent of the hammer price, the same level as Sotheby's and Christie's. It has been forced to do so because its rivals are involved in a price war when pitching to sellers, cutting their charges from the traditional 10 per cent premium in their keenness to secure goods for sale. Bonhams was losing out and reckons it must be more flexible in its terms for sellers if it is to continue to grow.

The most surprising price of the season was the £7.7m paid at Christie's for part of a 7th century BC Assyrian relief ignored for decades on the wall of the tuck shop in Canford School

Along with the malaise in post-1870 art (and to a lesser extent among Old Masters which have become a tricky market, despite the remarkable £4.2m paid at Sotheby's for a landscape by the Dutch 17th century artist Aelbert Cuyp), and the improving demand below the £10,000 a lot level, there were three other noteworthy features to the season – the strong demand for furniture; the premium carried by anything odd and exceptional; and the growing importance of South East Asia to the future of the art market.

Unlike pictures, furniture is essential to life, so why not buy antique examples which can be cheaper than contemporary and have a tradition of holding, or increasing, in value? This message has got home, not least among recipients of City bonuses. Christie's furniture sales were up 44 per cent last season, with record prices set for pieces designed by Chippendale and Charles Rennie Mackintosh.

If recent buyers of post-1870 art are licking their wounds there always seems to be bidders for unusual masterpieces. The most surprising price of the season was the £7.7m paid at Christie's for part of an Assyrian relief of the 7th century BC which had lain ignored for decades at Canford School. Equally bizarre was the £441,500 paid for a 12th century carved "unicorn" horn. Less surprising perhaps was the record £2.4m which secured a bronze lion from Moorish Spain, a record for any Islamic work of art. Sotheby's secured a record of £188,500 for a 20th century doll and £276,000 for a Purcell manuscript.

Christie's, and to a lesser extent, Sotheby's, are looking towards South East Asia to provide the next major boost in the increasingly international art market. Its chief executive Christopher Davidge reckons that already up to 15 per cent of its turnover comes from collectors there, and he anticipates holding auctions in China within five years. With its dynamic economy and the world's longest tradition of appreciating works of art, China could become the driving force of the market by the first decade of the next millennium.

At the moment the mainland Chinese are interested primarily in stamps, jewellery , watches, jade, and Chinese paintings. If they follow the pattern of the Chinese of Hong Kong, Singapore and Taiwan, oriental ceramics and bronzes should be next on their collecting list. A taste for Impressionist art, to say nothing of Old Masters, may take a generation to develop, but in the meantime the auction houses will be doing everything in their power to speed up the process.

Pop 'Establishment' left out in the cold

*The Mercury Prize is likely to raise some hackles in the music industry, says **Antony Thorncroft***

What would we do without arts prizes? The Turner gets the conceptualists and the painters at each other's throats and the Booker sets post-modernists against readers. And now the Mercury Prize for the British pop album of the year is shaping up nicely to make many music people very cross. This is the third year in which ten albums have been short listed by "experts" to compete for £25,000 – and a barrage of promotional opportunities.

Inevitably the award goes to a band that hardly needs it – last year Suede generously gave the money away, although, like the 1992 winner Primal Scream, it probably expected a bigger career boost from the prize than actually happened. This year's ten albums suggest the careful mix and match of a finely balanced committee. There is a representative from most of the myriad faces of pop – except one.

There is no room for the Establishment. Albums by the Rolling Stones, Elvis Costello and Kate Bush made the final 20, and then stalled. Pink Floyd failed to get even that far. The Mercury is obviously going in for a bit of proselytising, for the shock of the new, but in the most balanced way.

So what is on offer? The only big name listed is Paul Weller who, with *Wild Wood*, has contributed the whimsical hippy album. This is what happens to abrasive young punkers when the pop business gets to them, especially in the wallet. The lyrics go nowhere, slowly, and the melodies come packaged from some Californian dream factory. What a contrast this is to the punk album on the list, from the Ulster band Therapy. *Troublegum* hits you like a sledgehammer, and does not loosen its grip through a welter of songs which are almost a parody of life seen from the gutter. So much youthful angst, so much raw energy and power – it is as stimulating as Weller is soporific.

The inevitable black soul entry this year is Shara Nelson with *What Silence Knows*. She has more genuine emotion than last year's representative of this form, Dina Carroll, and seems equally happy with the heart-torn ballad and the old fashioned disco whirl.

This is much easier listening that the pseudo-classical contestant, Michael Nyman's *The Piano Concerto* which shares the CD with *TGV*, his pean to the French express train. Nyman takes a tiny little tune and adds layer after layer of sound, breaking the back of the simple melody. *The Piano Concerto* was originally the soundtrack of Jane Campion's movie *The Piano* and has that unneccessary, background, feel to it.

There must be an album to keep the largest sector of the pop buying public, young girls, happy, and naturally Take That's *Everything Changes* makes the top ten. Gary Barlow writes some very infectious songs: indeed the band is much better than its hunk poster image, and if Take That are very clever they could avoid the inevitable three year life span that dogs pretty boy bands and become a serious music making machine.

Old rockers will like Ian McNabb's *Head Like a Rock*, which keeps the Bruce Springsteen tradition alive. Little surprise that it was recorded in LA with Neil Young's backing band, Crazy Horse. With its crashing chords and harmonious melodies, this will restore the faith of jaded 30 year olds in the redemptive power of pop.

Naturally there has to be a "British" pop album and what better than Blur's *Parklife*. This is how todays youth likes to see itself: urban, street wise, funky, and basically light hearted. There is something of Madness, something of Squeeze in this generous hotchpotch of 16 songs. It is slightly too sharp for its own naivety, but anyone wanting a musical commentary on Major's Britain could hardly do better.

When the young are not being cheeky they are dancing, and the three dance albums included once again neatly cover the musical range. *His'n'hers* by Pulp is what might happen at a suburban diso when filtered through the ears of an imaginative spectator; *Music for the Jilted Generation* by The Prodigy is hard core techno rave, pretty unrelieved, insistent, body jerking, stuff; and M-People's *Elegant Slumming* is the type of disco music loved both by inveterate clubbers and the Christmas office party crowd.

To build up more excitement before the announcement on September 13, the organisers of the Mercury Prize have persuaded William Hill to give odds on the contestants. Blur is favourite at 2-1, with Take That at 7-2. My choice would be M-People (5-1), not because it is likely to win – it is too light heartedly predictable to carry weight with the judges – but because it has all the virtues of good pop: immediate accessibility, a wonderful beat, and insidiously memorable melodies. You recognise such hit singles from it as "One Night in Heaven" and "Moving on Up" from their opening bars because they are the songs that are played in the boutiques, the hairdressers, the sounds of the age.

The Mercury Prize helps to give the chaotic pop world some shape and substance but it still seems to skim the surface of the art form. No regrets at the failure of dreary, one dimensional, rappers to make the list, but why no jazz, currently enjoying yet another revival; or big band blues; or country? Still the sampler, which includes a track from each album, should be out in the next two weeks, and gives an instant run-down on the current state of British pop.

Codes of honour put to the test

***Martin Hoyle** reviews 'Le Cid' at the Cottesloe*

Sculptural horses frozen in mid-gallop hover above the stage; two huge gilded frames turn the action into a picture – one empty, the other containing a transparent mirror where characters can see themselves and through which others can loom. Is someone recalling the famous, or infamous, ENO *Masked Ball*? Designer Peter J. Davidson is certainly an old opera hand. But, despite these visual echoes, Jonathan Kent's production of Corneille's *Le Cid* at the National Theatre's Cottesloe comes up with nothing so revolutionary.

The French Classical theatre is notoriously hard to bring off in English. "Le style, c'est tout," and that's the trouble. Even replacing the six-beat alexandrine with the traditional English pentameter leaves us with the problem of rhyme. We associate rhyming couplets with pantomime, with facetiousness, the intentionally frivolous and unintentionally bathetic. Of course, there are some successful translations, notably in Molière and versions of Corneille by Ranjit Bolt. Bolt provides the translation for this *Cid*, much of it good, no-nonsense rhyming pentameters, getting over the nitty-gritty of the love-versus-duty plot. Some rhymes have a period flexibility ("pursuit/driven to't"), some are more strained ("by it/right"). Some have the fatal ring of a McGonagal: "Two kings were captured on a single day/Nothing could stand in the young hero's way." But surely not on the banks of the silvery Tay.

More interestingly, and perhaps disturbingly, Bolt has compromised with the English sense of the ridiculous. Where the French *grand siècle* postures, preens and poses, English theatre cultivates the pragmatic. *Le Cid* portrays the anguished application of a code of honour unstoppably unleashed when the father of our hero is mortally insulted by the father of the hero's betrothed. A blood feud results. Rodrigo (the Cid) kills his future father-in-law which miffs his fiancée Ximena no end. She in turn demands vengeance though she still adores him. English couplets certainly deflate the pomposity but reduce the nobly eloquent protagonists to the level of garrulous mafiosi caught up in a mindlessly murderous tit-for-tat to be terminated when nanny bangs their heads together.

Bolt seeks to suspend our disbelief, perhaps simply to keep our interest, by introducing a sardonic element of – could it be? – mockery in the figure of the Castilian king, whom Bernard Lloyd plays disastrously well. Urbane, witty, dry, fatally gifted with common sense, he gently ends the giddy vortex of honour-bound vengefulness that the ranting Ximena and the sorrowful Cid are caught up in, even using the word "pointless" of the characters' guiding principles. The trouble is that once you think about it in these terms it undermines the whole previous 100 minutes...

Kent's production, on the other hand, initially takes the piece seriously, inspiring some stately tableaux in Mark Henderson's dramatically dimming lighting and good romantic playing from the cast. In the title-role Duncan Bell looks every inch and sounds every diphthong the young gallant torn between love and a code of behaviour that makes political correctness look like Liberty Hall. Susan Lynch is a promising if coarse-grained Ximena: strong, rather tough, featured, she tends to yell at moments of stress. Crudeness of attack, far from adding to the very real intensity she generates, merely leaves one wishing for tighter control and discipline. Translation and possibly production seem to resign themselves to audience laughter at Ximena's bull-in-a-china-shop love-and-death emotionalism. The nice indication of her hysteria, when she refers to the sword of the Cid's opponent as "still bloody" gets overlooked in the general conviction that she is almost off her rocker. It may be one way to express Corneille's dramatic vibrancy to a sceptical British audience, but I wonder whether it is the right one.

Costumed as for Spain's Golden Age (Philip II going on Cervantes), the company do their best with actresses as distinguished as Faith Brook and June Watson looking concerned as confidantes. As the squabbling fathers who trigger the tragedy, Edward de Souza and Alan MacNaughtan are snarling, toothless old curs, not too stiff in the joints that they cannot destroy their children's happiness for their own pride, capable of the bland vanity of such lines as "Prove yourself to be/A worthy son to such a man as me".

The real heroine emerges from the shadows of a sub-plot, that phenomenon detested by French classicism. Samantha Bond brings tragic dignity to the figure of the Infanta, the king's daughter who loves Rodrigo but, knowing marriage to be impossible for reasons of rank, does all she can to throw him together with Ximena. She is left at the play's guardedly happy ending rocking silently in pain, an indication of how the piece might still move if all parties shared the same attitude towards it. If you see Cid, tell him.

Love versus duty: Duncan Bell and Susan Lynch. English couplets deflate the pomposity

Alastair Muir

ARTS

'Sleeping Beauty' retains its purity

***Clement Crisp** sees two fine performances from ENB soloists Agnes Oaks and Thomas Edur*

The Sleeping Beauty is the one, and supreme, masterpiece of 19th century ballet that has come down to us in something like its original form. Or, more accurately, is still available to us in a decently original form if a producer has sufficient humility to respect what Petipa and Tchaikovsky created. Other texts, from *Giselle* to *Swan Lake*, are variously corrupt and, like tottering old ladies, are just waiting to be mugged by ballet's eager gang of ruffians. And they do not wait in vain.

Beauty, because it is so massive in its forces, seems to be reasonably protected, though there have been some pretty nasty attacks in recent years. English National Ballet's staging – I reported on its first performance last autumn – is by Ronald Hynd. Most of the proper (i.e. Royal Ballet in 1946) text is honoured. Innovations are not crass. There is sometimes too much clutter of activity – the old repertory, as the Kirov has persuasively shown us, demands less rather than more to make its best effects – but what we see is *Beauty* and not some Frankenstein mishap. Visually it has a certain fairy-tale glamour, and the permanent setting is skilled, but it is still far too bright. Peter Docherty's costuming suffers from the dreadful qualities of man-made fibres, which are unyielding and un-nuanced in their response to light and to movement. Natural materials may be a financial menace, but they soften, flow, take on gentler shapes and a more responsive lustre. Away with nylon.

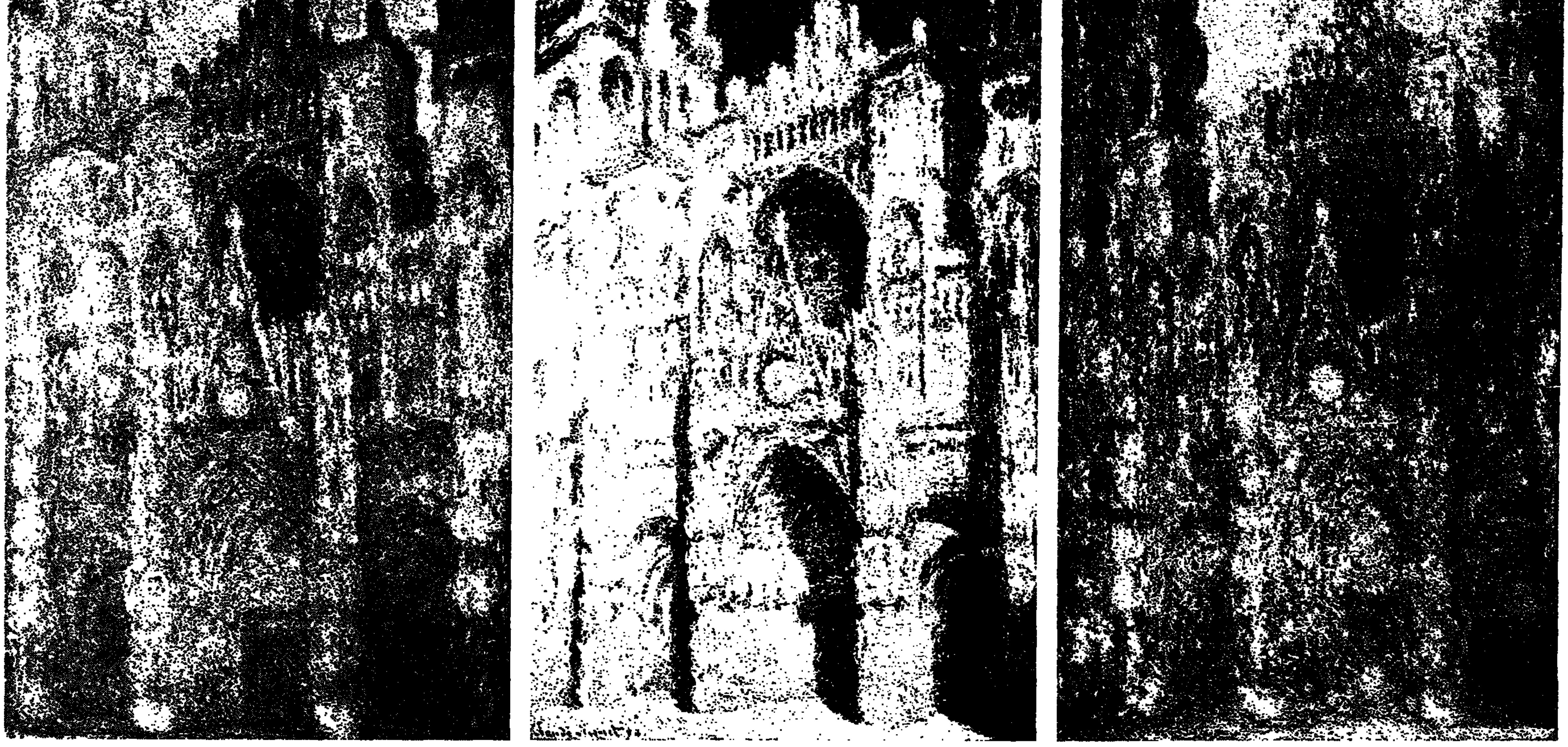
To end its Coliseum performances this week, ENB has brought *Beauty* for a first London showing. On Wednesday it was dominated and made memorable by the performances of Agnes Oaks and Thomas Edur. Miss Oaks has seemed in the past the prettiest of dancers, but one whose gifts are for light-weight roles. Her Aurora is clearly the fruit of serious work – it is technically bright, clear, fluent and results in a portrait of a young princess having beguiling charm of feeling, as of style. It is not a grand reading, though effects are often prodigious, as in the wonderfully secure and long-sustained balances, with nary a wobble. Miss Oaks brings sweetness, youthful grace, even innocence, to the part. Sometimes she is too ingratiating – passages when she lets the dance and her own natural distinction speak are more effective than those in which she plays to her suitors and to us – but it is an entirely delightful, honourable view of the greatest challenge a ballerina can know. She has grown up as an artist.

I have been fortunate to have seen two ideal interpretations of the role of Prince Florimund in half a century of looking at this ballet. Anton Dolin in 1948 – returning to Covent Garden with Markova – took to the stage in the hunting scene with a dignity and grace of manner that were astonishing. In 1961, in the Kirov's ideal production, Oleg Sokolov was a figure of Apollonian beauty – noble in manner, noble in dancing. I have measured every other player against these. On Wednesday Thomas Edur matched these great examplars of the *danse noble*. His manner is courteous, unforced. Character is immediately established, as he avoids a persistent mistress, or stands slightly remote amid his entourage. Temperament is touched with melancholy. His dancing, despite the waders he must wear, is fluent, angelically phrased. It is an astonishing impersonation, because as perfect as we have right to expect in ballet's imperfect world.

In the wedding celebrations, his dancing is large in scale, shaped in long easy sequences, phrase-endings beautifully melting. And there is neither bombast, nor trickery, nor one iota of vulgarity in anything we see. It is the dancing of a true heir to those real, if subliminal, traditions of behaviour that take our balletic princes back to their actual historical forebear, Louis XIV.

Company support is bright – and in the behaviour of King Florestan and his courtiers, positively lurid. I liked Susan Jaffe as a serene, brilliant Lilac Fairy, and salute James Supervia as a wonderfully convincing Tutor to the prince, looking like Dr Johnson, and giving the role dignity. For fellow admirers of King Herod, I record that there are infants in the Prologue whose little runs and expressions of terror at the appearance of Carabosse confirm us in our belief about the proper fate for stage-tots.

English National Ballet's summer season is sponsored by Nomura. *Sleeping Beauty* continues at the Coliseum this week; then opens the ENB season at the Royal Festival Hall from August 1.



Wonderful nuances of colour and light: three of the paintings from Claude Monet's series of 30 depicting the façade of Rouen Cathedral at different times of the day and season

Cathedrals take the road to Rouen

***William Packer** admires Monet's masterpieces in situ*

There have always been artists who have engaged themselves, at least loosely, with the idea of the series. The natural narrative of the lives of the saints is an obvious example, as is the regular return to a particular theme or image – the self-portraits of Rembrandt and Van Gogh, or the near-formulaic landscapes of Hobbema or Turner.

But the insistent return to the particular image and its re-statement in its identical format is something that we now recognise as being peculiar to the art of the modern period. Indeed we have grown so used to it by now as a convention of modernism that we hardly notice it. The conceptualism of the late 20th century, so dear to our contemporary critical, avant-garde hearts, could not get by without it.

Malevich, the Russian suprematist, who had seen the two examples of Monet's Rouen cathedral façades in the Pushkin museum in Moscow before the Revolution, was moved by the experience to say that "Monet's cathedral has a capital importance for the history of art and forces entire generations to change their conceptions."

Now, to brand Claude Monet as a pioneer of conceptual art would be perhaps a shade mischievous, but it remains most certainly true that of all the great artists of Impressionism and post-Impressionism he was the pioneer in the practice of working thus closely in series. Furthermore, to take any of the paintings from those series that became the determining feature of his later career – the poplars, the hayricks, the Thames at Westminster, the pools and water lillies, and of course the cathedral façades – and consider them not simply but within the context of its particular group is inevitably to take into account certain near-conceptual questions and assumptions.

For what we have are images that if they differ at all, they do so only marginally and to little material effect in the bare terms of what they superficially represent. Yet the differences between them are manifest, and of the first importance to any direct experience, as much physical as imaginative, of the works themselves. Elusive and imponderable as they are, such differences register the shifting, delicate nuances of personal response, ours and the artist's together, to the fleeting moment and passing of time. There on the canvas is the stroke of the brush, and the accumulation of paint that marks and records it and makes it permanent. And there, in the mind as in the eye, is the conjuration of something altogether more intangible and ephemeral, as the shadows pass across those immovable, ever-changing arcades and pinnacles of the old cathedral – now light, now dark, now yellow, pink, blue, morning and evening.

Monet knew Normandy well, especially the coast between Etretat and Dieppe, and had often passed through Rouen. He had discovered Giverny, down the Seine north west of Paris, in the early 1880s, and in 1890 bought the house where he was to live for the rest of his life. He began at once to build the water-garden which was to be the greatest and most compulsive of his subjects, but his garden, as would any other, took time to grow. Besides, he was never its prisoner and Rouen was less than forty miles away towards the sea. He paid his first extended working visit to the city in 1892, returned in 1893 and in the spring of 1894 embarked upon the series of cathedral façades that, but for the later Nympheas, would be the greatest of them all.

He made 30 paintings in all, of which 20 were shown in Paris the following summer by his dealer, Durand-Ruel. Monet's old friend, Georges Clemenceau, saw at once that the state should buy the lot, *le paquet*, and addressed himself in no uncertain terms to the president of the Republic, Felix Faure, to say so. But the moment passed. Inevitably they were dispersed, all but ten of the original 30 eventually fetching up in public collections around the world, but only seven of them in France. Eleven were brought together in 1990 for the Royal Academy's spectacularly successful exhibition of the several "Series of Monet," and now 16 are being shown in Rouen, the first time in a century so many have been reunited, and where better than in the city of their making.

All conform more or less to the same format, more tall than wide and never much more than three feet by two. The two earliest are exceptional in that they concentrate less on the fabric of the cathedral itself than on the old houses clustering round the foot of the corner tower that were destroyed in the last war. For the rest, it is the façade proper that dominates, at first full frontal, looking straight at the high-pointed gothic porch and round west window, and then fixing on the more oblique and famous view that slants across from the south west. And always the emphasis is across and upwards, the ground incidental where it is described at all, the image ever more suggestive, abstracted, hinted at rather than described. Pink fuses with ochre, grey with violet, yellow with orange, the cathedral itself seeming to dissolve into exquisitely covered smoke or mist, as it were a most substantial pageant, faded. These paintings are indeed such stuff as dreams are made on.

Les Cathédrales de Monet: Musée des Beaux Arts, Rouen, until November 14.

'Drowned Out' at the Proms

The City of Birmingham Symphony made their second Prom appearance on Thursday, bringing with them Mark-Anthony Turnage's almost-new *Drowned Out*. He has been their resident composer for four years (courtesy of the Radcliffe Trust), and *Drowned Out* was the final fruit of that happy association.

The slightly jokey title belies the character of the music, for the inspiration came from William Golding's *Pincher Martin* – in which the whole novel consists of a life-in-flashbacks going through the mind of a drowning man. Turnage's piece begins with sombre, "submerged" chords and a slow lament (saxophones are prominent, as usual with this composer). As the music develops speed and fury, the suggestion of a rite is never lost; much of it is underpinned by a fierce, repetitive beat, and it rises to several brassy climaxes.

At last it declines into a chastened elegy, with morose clarinet. In all this, there is a strict economy of material, carefully rotated and varied. Perhaps the musical tension falters in two or three places, but the whole is cogent enough. Certainly it marks a new stage in Turnage's command.

Drowned Out was not exactly flattered by its place in the programme, following upon the 1926 *Tapiola* of Sibelius – a work of similar proportions and severity, but by an old master. Rattle has been conducting that since 1979, and his hand with it is utterly assured. Some Sibelians draw it out more grimly, but Rattle's unhesitating way with it sacrificed nothing. Towards the end, the violins brilliantly suggested a driving Arctic blizzard, through which the oracular brass stood firm.

One surprise: a quick passage in it suddenly and infallibly recalled Debussy's *La Mer* (1905). That has not struck me before; was Rattle deliberately pointing it up? (And *was* it a bit of composer's larceny?) Later we were to hear *La Mer* itself, in a beautifully prepared performance that wanted only a greater weight of strings than the CBSO can supply. From where I sat, at least, they were sometimes submerged altogether.

As nearly always, Rattle seemed to have designed his programme to make interesting points. The odd piece out – but not out of place – was Messiaen's 1936 cycle of songs for his first wife, *Poèmes pour Mi*, in his much later orchestration (which Rattle rendered as delicately as possible). There is a hothouse air about them, but in Maria Ewing's performance they were hard to resist.

Miss Ewing was in lovely, velvet-voiced form, and obviously determined to make the songs tell without the slightest forcing. If she lacked the full power for a couple of places, she wisely refused to risk going through her tone; we missed nothing, and the spell remained unbroken. She sang the cycle by heart (no mean challenge), and illuminated it with a few simple gestures.

There have been past occasions when one felt that she was trying too hard for theatrical effect – too much platform-drama, too many vocal tricks.

Simon Rattle: utterly assured

Not here: she had judged what the songs require to a nicety, and rendered them with an air of dewy freshness. If that was a trick, it succeeded completely.

David Murray

Chess No 1032: 1 ... Rb2(threat Rb1+ and a1Q) 2 Bd4 Rd2 3 Bc3 (to control a1) Rxf2+! 4 Kxf2(4 Kxf2 Bc5+ and Bxa7 or 4 Kg1 Rc2) Rxh2 wins with two pawns up.

TELEVISION

SATURDAY

BBC1

7.25 News. 7.30 Felix the Cat. 7.45 Joe 90. 8.10 The Adventures of Skippy. 8.35 SWAT Kats. 9.00 Parallel 9.

10.55 Film: Clarence the Cross-Eyed Lion. Pilot for the 1960s TV show Daktari, starring Marshall Thompson (1965).
12.28 Weather.
12.30 Grandstand. Introduced by Steve Rider. 12.35 Motor Racing: The final qualifying session for the German Grand Prix. 1.00 News. 1.05 Athletics: Highlights of last week's Goodwill Games from St Petersburg in Russia. 1.50 Racing from Goodwood: The 2.00 Vodapage Conditions Stakes. 2.05 Equestrianism: The World Games from The Hague. Action from today's cross-country section of the three-day event. 2.30 Racing: The 2.40 Vodaphone Nassau Stakes. 2.45 Equestrianism. 3.05 Racing: The 3.15 Vodac Stewards Cup. 3.20 Equestrianism. 4.25 Swimming: British National Championships from Crystal Palace. 5.05 News Round-Up. Times may vary.
5.15 News.
5.25 Regional News and Sport.
5.30 A Word in Your Ear. Alison Dowling, Patrick Moore, Tom O'Connor and Tracy Edwards take part in the verbal communication game.
6.00 Film: Tron. A computer buff is dispatched into an electronic world where he must battle with microchip gladiators. SF adventure, starring Jeff Bridges and David Warner (1982).
7.30 Pets Win Prizes.
8.10 Police Rescue. A tormented artist holds his daughters at gunpoint – forcing Angel to play the role of mediator. Drama, starring Steve Bastoni.
9.00 One Foot in the Grave. A pleasant day on the Norfolk Broads soon degenerates into a series of disasters after the Meldrews become marooned. Comedy, starring Richard Wilson.
9.30 News and Sport; Weather.
9.50 Shirley Bassey: I Am What I Am. The legendary Welsh-born cabaret superstar discusses her career, desire for success, and its ultimate cost to her family life.
10.40 The Shirley Bassey Concert.
11.40 Film: From the Hip. Comedy drama, starring Judd Nelson (1987).
1.30 Weather.
1.35 Close.

BBC2

6.00 Open University.

12.15 Film: The Gay Divorcée. Romantic comedy musical about an unhappily married woman seeking a divorce. Starring Hollywood dancing duo Fred Astaire and Ginger Rogers (1934).
1.55 Ways of Seeing. John Berger assesses the impact of photography on people's appreciation of art from the past.
2.25 Film: A Town Like Alice. Wartime drama chronicling life among women prisoners held by the Japanese in Malaya. Starring Virginia McKenna and Peter Finch (1956).
4.20 Car Boots. Why MPs are calling for stricter controls on car boot sales amid allegations that they are untaxed marketplaces for stolen goods.
4.45 Film: Bridesmaids. Drama charting the laughter and tears of four friends reunited at a friend's wedding for the first time in 20 years. Shelley Hack and Sela Ward star (TVM 1989).
6.15 Design for An Alien World. The equipment designed for use during an expedition to Saturn's moon Titan.
6.45 News and Sport; Weather.
7.00 A Telling Eye. Biography of art critic, essayist and Booker Prize-winning novelist John Berger, who over a period of 30 years has created many acclaimed programmes on art, including the influential Ways of Seeing, an episode of which was shown earlier today.
8.00 Brooklyn Bridge. Award-winning film-maker Ken Burns traces the history of the famous span, detailing how the enormous construction problems were overcome in a variety of ingenious ways to create one of America's best-loved landmarks.
9.00 Seinfeld.
9.25 Film: Truly, Madly, Deeply. Juliet Stevenson stars as a woman whose dead ex-lover (Alan Rickman) reappears to teach her how to love again. Anthony Minghella's romantic tragi-comedy, also stars Bill Paterson and Michael Maloney (1991).
11.10 Film: Goin' South. Tongue-in-cheek Western about an outlaw (Jack Nicholson) who marries to avoid being strung up by a lynch mob. With Mary Steenburgen, John Belushi and Danny DeVito (1978).
1.00 Close.

LWT

6.00 GMTV. 9.25 Gimme 5. 11.30 The ITV Chart Show. 12.30 pm Starting from Scratch.

1.00 ITN News; Weather.
1.05 London Today; Weather.
1.10 Movies, Games and Videos. Reviews of Used People, starring Shirley MacLaine and Kathy Bates, the animated fairytale Thumbelina, and Elijah Wood in North.
1.40 WCW Worldwide Wrestling.
2.25 Life Goes On.
3.20 Burke's Law. A bomb explodes on an aircraft owned by a wealthy shipbuilder, but the cause of the man's death is not as straight forward as it first appears.
4.20 Cartoon Time.
4.45 ITN News; Weather.
5.00 London Today; Weather.
5.10 Time Trax. Time-travelling cop Darien Lambert investigates a corrupt horse-racing syndicate using 22nd century laser treatment to improve the performance of their steeds.
6.00 Scavengers. John Leslie leads four more contestants into a futuristic environment designed to test their mental and physical abilities to the limit.
7.00 Celebrity Squares. Contestants compete for cash and cars with the help of celebrities including Kathy Staff, Keith Chegwin, John Inman and Frank Bough. Hosted by Bob Monkhouse.
7.30 Film: Columbo: Murder – A Self Portrait. The shabby detective draws on his vast palette of experience to pin a murder on a world-famous painter. Crime drama, starring Peter Falk (TVM 1989).
9.10 ITN News; Weather.
9.20 London Weather.
9.25 Film: Aliens. Sigourney Weaver stars in this action-packed science fiction sequel, this time battling a whole colony of the vicious extra-terrestrials (1986).
12.00 Film: Billion Dollar Threat. An American secret agent foils an evil mastermind's plan to destroy the ozone layer. Adventure, starring Dale Robinette and Patrick Macnee (TVM 1979); ITN News Headlines.
1.45 Tour of Duty.
2.40 The Big E.
3.35 New Music.
4.35 BPM.
5.00 Hot Wheels.

CHANNEL4

6.00 4-Tel on View. 6.35 Early Morning. 10.00 Trans World Sport. 11.00 Gaelic Games. 12.00 The Big 8. 12.30 pm A Girl's Fate/Ladkiyan.(English subtitles).

12.55 Film: Oh Rosalinda! Melodrama based on Die Fledermaus, about a Vienna playboy's practical joke on four Army officers. Anton Walbrook stars (1955).
2.50 Racing from Newmarket. Coverage of the 3.10 EBF Colman's Mustard Maiden Stakes, 3.45 Robinson's Aquiesse Handicap, 4.15 Colman's of Norwich Stakes, and the 4.50 Multiyork Value Handicap Stakes.
5.05 Brookside.; News Summary.
6.30 Opening Shot. Report on the popularity of cartoon hero Tintin, the Belgian reporter created in 1929 by aspiring journalist Georges Remi, better known as Herge.
7.00 The People's Parliament. New series. Members of the public are given a chance to debate the week's controversial issues in Granada Studio's House of Commons replica. The opening discussion asks whether persistent young offenders between the ages of 12 and 14 should be given custodial sentences. Chaired by Lesley Riddoch, with the position of lobby correspondent taken by Rajan Datar.
8.00 Film: From Here to Eternity. Oscar-winning drama set on an army base in Hawaii in the months before Pearl Harbour. Starring Burt Lancaster, Deborah Kerr and Frank Sinatra (1953).
10.10 Blue Heaven. New series. Sitcom, starring Frank Skinner as an aspiring singer who dreams of quitting his Birmingham roots for the dizzy heights of stardom.
10.45 The Best Intentions. Anna goes into a sanatorium after falling ill, and leaves a message for Henrik that she wants no more to do with him. (English subtitles).
12.10 Late Licence.
12.20 Herman's Head.
12.50 Just for Laughs.
1.20 625 Live: Little Angels.
1.50 Passengers.
2.55 Beavis and Butt-Head.
3.20 Packet of Three.
4.05 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA:
12.30 Movies, Games and Videos. 1.05 Anglia News. 1.10 Nigel Mansell's IndyCar '94. 1.40 Airport III. (1977) 3.45 Knight Rider. 5.00 Anglia News and Sport 9.20 Anglia Weather.

BORDER:
12.30 Movies, Games and Videos. 1.05 Border News. 1.10 Get Wet. 1.40 Nigel Mansell's IndyCar '94. 2.10 The Great British Train Robbery. (1967) 4.00 Superstars of Wrestling. 5.00 Border News and Weather

CENTRAL:
12.30 America's Top 10. 1.05 Central News 1.40 The Mountain Bike Show. 2.10 Knight Rider. 3.00 WCW Worldwide Wrestling. 3.50 The Fall Guy. 5.00 Central News 5.05 Cartoon Time. 9.20 Local Weather.

CHANNEL:
12.30 The Littlest Hobo. 1.05 Channel Diary. 1.10 Best of British Motor Sport. 1.40 International Yacht Racing. 2.40 My Town. 3.35 Cartoon Time. 3.50 MacGyver. 5.00 Channel News. 5.05 Puffin's Pla(i)ce.

GRAMPIAN:
12.30 Cruinne-Ce. 1.05 Grampian Headlines 1.10 Telefios. 1.40 Culm Cloinne. 2.10 Time Lock. (1957) 3.30 Nigel Mansell's IndyCar '94. 4.00 Superstars of Wrestling. 5.00 Grampian Headlines 5.05 Grampian News Review. 9.20 Grampian Weather.

GRANADA:
12.30 Movies, Games and Videos. 1.05 Granada News 1.10 Get Wet. 1.40 Nigel Mansell's IndyCar '94. 2.10 The Great British Train Robbery. (1967) 4.00 Superstars of Wrestling. 4.55 Granada News 5.00 Cartoon Time.

HTV:
12.30 Movies, Games and Videos. 1.05 HTV News. 1.10 Nigel Mansell's IndyCar '94. 1.40 Tobruk. (1967) 3.45 Adventure. 4.15 The Mountain Bike Show. 5.00 HTV News. 9.20 HTV News.

HTV Wales as HTV except:
9.20 HTV Weather.

MERIDIAN:
12.30 The Littlest Hobo. 1.05 Meridian News. 1.10 Best of British Motor Sport. 1.40 International Yacht Racing. 2.40 My Town. 3.35 Cartoon Time. 3.50 MacGyver. 5.00 Meridian News.

SCOTTISH:
12.30 Champions. 1.05 Scotland Today. 1.10 Telefios. 1.40 An Innis Aigh (The Happy Isle). 2.10 Jack the Giant Killer. (1961) 3.50 The A-Team. 5.00 Scotland Today 9.20 Scottish Weather.

TYNE TEES:
12.30 Movies, Games and Videos. 1.05 Tyne Tees News. 1.10 The Fall Guy. 2.05 The Karen Carpenter Story. (TVM 1989) 3.50 Knight Rider. 4.55 Tyne Tees Saturday

ULSTER:
12.30 SUS. 1.05 UTV Live News 1.40 The Mountain Bike Show. 2.10 The Munsters Today. 3.05 Knight Rider. 4.00 WCW Worldwide Wrestling. 5.00 UTV Live News 9.20 UTV Live News

WESTCOUNTRY:
12.30 Movies, Games and Videos. 1.05 Westcountry News. 1.10 Nigel Mansell's IndyCar '94. 1.40 Voyage to the Bottom of the Sea. (1961) 3.30 Cartoon Time. 3.50 Baywatch. 5.00 Westcountry News 9.20 Local Weather.

YORKSHIRE:
12.30 Movies, Games and Videos. 1.05 Calendar News. 1.10 The Fall Guy. 2.05 The Karen Carpenter Story. (TVM 1989) 3.50 Knight Rider. 4.55 Calendar News.

SUNDAY

BBC1

7.30 Dilly the Dinosaur. 7.35 King Greenfingers. 7.40 Playdays. 8.00 Telling Tales. 8.15 Breakfast with Frost. 9.15 Summer Sunday. 10.00 See Hear! 10.30 Film: Blue Fin.

12.00 CountryFile.
12.25 Weather for the Week Ahead; News.
12.30 Harry and the Hendersons.
1.00 Cartoon.
1.05 Steven Spielberg's Amazing Stories.
1.30 EastEnders.
2.50 Film: Boeing Boeing. Farcical sex comedy, starring Tony Curtis (1965).
4.30 Film: The Lady and the Highwayman. A lady falls for a nobleman who moonlights as a mysterious highway robber. Romantic swashbuckler, starring Hugh Grant, Lysette Anthony, Oliver Reed and Emma Samms (TVM 1989).
6.05 News.
6.25 Summer Praise. New series. David Matthew and Jumoke Fashola present reports from religious music festivals around the country, beginning in Manchester.
7.00 Small Talk. Ronnie Corbett hosts as guests attempt to guess children's answers to a selection of questions about life.
7.30 2point4 Children. Bill and Ben's suspicions are aroused when two shady characters are spotted lurking outside their holidaying neighbours' house. Belinda Lang stars.
8.00 Tales of Para Handy. New series. Comedy drama, starring Gregor Fisher as Peter MacFarlane, hapless skipper of a completely unseaworthy vessel operating in the Mull of Kintyre.
8.50 News and Weather.
9.05 Gallowglass. Paul grows closer to Nina, and discovers more about the horrifying ordeal she endured in Italy. Final part of Ruth Rendell's psychological thriller, starring John McArdle.
10.25 Mastermind.
11.00 Everyman. New series. The effects of the international boycott against the Inuit people of the Canadian Arctic for their involvement in the seal fur trade.
11.50 The Sky at Night. Patrick Moore gives a full report on the result of comet Shoemaker-Levy 9's impact with Jupiter in mid-July.
12.10 Film: The Bank Shot. Nutty comedy, starring George C. Scott as a criminal mastermind who plans a bank robbery with a difference (1974).
1.30 Weather.
1.35 Close.

BBC2

6.15 Open University. 9.10 Littl' Bits. 9.35 Spacevets. 9.50 Fievel's American Tails. 10.15 The Really Wild Guide to Britain. 10.40 Grange Hill. 11.05 Dynamite. 11.20 White Fang. 11.45 The O Zone. 12.00 The Flintstones.

12.30 Sunday Grandstand. Introduced by Steve Rider. 12.35 Motor Racing: Live coverage of the German Grand Prix from Hockenheim. 2.30 Cricket: Durham v Yorkshire in the Sunday League. 3.30 Golf: The Curtis Cup. News of Britain's amateur women golfers in America. 3.50 Cricket. 4.20 Swimming: The British National Championships from Crystal Palace. 5.00 Cricket. 6.15 Equestrianism: The World Games. Highlights from the showjumping section of the three-day event. Times may vary.
6.30 Rough Guide to the World's Islands. Magenta De Vine and Rajan Datar visit the Italian island of Sicily to investigate the dramatic rise of anti-Mafia sentiment in its capital Palermo.
7.20 The Score. New series. In the first programme examining aspects of music, David Pearl talks to opera stars Ann Murray and Susan Graham about the confusion often created by women singing men's roles, and offers an opportunity to hear the world premiere of a new work by successful young composer Mark-Anthony Turnage.
8.00 Under the Sun. The conflict between Australian cattle rancher Grant Martin and expert Aboriginal stockman Harry Dixon over land ownership.
8.50 Monty Python's Flying Circus.
9.20 Grand Prix. Highlights of the German Grand Prix from Hockenheim.
10.00 Moviedrome. Alex Cox introduces tonight's film.
10.05 Film: Race with the Devil. Two bike-shop owners and their wives set off for a Colorado holiday, but after witnessing a ritual sacrifice, they are pursued across country by satanic psychopaths. Gripping thriller, starring Peter Fonda and Warren Oates (1975).
11.30 Moviedrome. Introduction to tonight's second film.
11.35 Film: Detour. Cult thriller, starring Tom Neal (1945).
12.45 Close.

LWT

6.00 GMTV. 9.25 The Littlest Hobo. 10.15 Link. 10.30 Sunday. 11.00 Morning Worship. 12.00 Sunday. 12.30 pm An Invitation to Remember. 12.55 London Today; Weather.

1.00 ITN News; Weather.
1.10 100 Women.
2.00 Highway to Heaven.
2.50 Bugs Bunny's Creature Features.
3.20 Film: Guns in the Heather. An American schoolboy's stay in Ireland takes an unexpected turn when he discovers his elder brother is a CIA agent. Disney spy thriller, starring Kurt Russell (1968).
5.00 City Safari. A revealing insight into the wildlife in the grounds of Buckingham Palace.
5.30 The London Programme. Trevor Phillips examines new research into driver frustration on the capital's traffic-choked streets.
6.00 London Tonight; Weather.
6.20 ITN News; Weather.
6.30 Dr Quinn: Medicine Woman. A renowned photographer realises he may be taking his last pictures when Dr Mike reveals he is going blind. Guest starring Kenny Rogers.
7.30 Watching.
8.00 Wycliffe. Family feuds and illicit relationships are uncovered after the apparent suicide of an amateur flautist on a secluded country estate. Jack Shepherd stars.
9.00 Film: Kramer vs Kramer. A man gets to know his young son better after his wife leaves to find a new life for herself. Oscar-winning tug-of-love story, starring Dustin Hoffman and Meryl Streep (1979).
10.55 ITN News; Weather.
11.05 London Weather.
11.10 Inside Track On: Health. Sue Lawley and a team of experts examine the lifestyles and eating habits of three families.
12.40 The Restaurant Show.
1.10 Get Stuffed; ITN News Headlines.
1.15 Married – With Children.
1.45 Cue the Music.
2.45 Get Stuffed; ITN News Headlines.
2.50 Film: Deadly Game. German drama, starring Mel Ferrer (1982).(English subtitles).
4.25 Music from the Circus.
4.55 Off Beat.; Night Shift.

CHANNEL4

6.10 Early Morning. 9.45 The Odyssey. 10.15 Saved by the Bell. 10.45 Rawhide. 11.45 Little House on the Prairie.

12.45 Film: Nicholas Nickleby. Screen adaptation of Dickens' classic drama about a young man's struggle to protect his family from a scheming uncle. Starring Cedric Hardwicke and Derek Bond (1947).
2.40 The Sandcastle. Oscar-winning animation.
2.55 Quartet. Guests including U2, The Drifters, The Kronos Quartet and Opera Circus discuss the enduring appeal of musical foursomes from the 12th century up to the present day.
4.25 News Summary.
4.30 Film: Carrington VC. Legal drama about an Army major who decides to conduct his own defence when he is court-martialled for embezzling mess funds. David Niven, Margaret Leighton and Noelle Middleton star (1954).
6.30 The Cosby Show.
7.00 The Valour and the Horror. New series. In the first of three drama documentaries recounting the untold story of Canada's role in the second world war, two veterans of the country's land forces pay tribute to their comrades-in-arms who died in the humiliating defeat inflicted on troops defending Hong Kong against the Japanese.
9.00 Film: The Duchess and the Dirtwater Fox. Western comedy, starring Goldie Hawn as a sultry saloon singer who gets mixed up in bungling gambler George Segal's feud with an outlaw gang after stealing his money (1976).
11.00 Nelson Sullivan's World of Wonder. Profile of the camcorder enthusiast who spent his days and nights capturing the sights, people and events of New York City on more than 1,500 hours of videotape.
12.00 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA:
9.25 Ask Max. 12.30 Countrywide. 12.55 Anglia News. 2.00 Cartoon Time. 2.10 Father Dowling Investigates. 3.10 How to Succeed in Business Without Really Trying. (1967) 5.30 Hairloom. 6.00 Anglia News on Sunday 11.05 Anglia Weather.

BORDER:
9.50 Zorro. 12.30 Gardener's Diary. 12.55 Border News. 2.00 Videofashion. 2.30 Tender is the Night. (1961) 5.20 Coronation Street. 6.15 Border News.

CENTRAL:
9.25 Ask Max. 12.30 Central Newsweek. 12.55 Central News 2.00 Take 15. 2.15 Gardening Time. 2.45 Tora! Tora! Tora! (1970) 5.20 Murder, She Wrote. 6.15 Central News 11.05 Local Weather.

CHANNEL:
9.25 Ask Max. 12.30 Reflections. 12.35 Rendez Vous Dimanche. 12.50 Telejornal. 2.00 The Mountain Bike Show. 2.30 Mr Hobbs Takes a Vacation. (1962) 4.40 Cartoon Time. 4.50 Highway to Heaven. 5.45 Survival. 6.15 Channel News.

GRAMPIAN:
9.25 Ask Max. 11.00 Sunday Service. 11.45 Eikon. 12.30 Gardener's Diary. 12.55 Grampian Headlines. 2.00 The Egyptian. (1954) 4.30 Cartoon Time. 4.45 Movies, Games and Videos. 5.15 The A-Team. 6.10 Appeal. 6.15 Grampian Headlines 11.05 Grampian Weather.

GRANADA:
9.50 Zorro. 12.25 Chalte Chalte. 12.55 Granada News 2.00 Videofashion. 2.30 Tender is the Night. (1961) 5.20 Dr Quinn: Medicine Woman. 6.15 Granada News 6.30 Coronation Street.

HTV:
9.25 Ask Max. 12.25 The Littlest Hobo. 12.55 HTV News. 3.00 Beloved Infidel. (1959) 5.15 On Your Street. 5.45 Great Westerners. 6.15 HTV News. 11.05 HTV Weather.

MERIDIAN:
9.25 Ask Max. 12.30 COPS. 12.50 Meridian News. 2.00 The Mountain Bike Show. 2.30 Mr Hobbs Takes a Vacation. (1962) 4.40 Cartoon Time. 4.50 Highway to Heaven. 5.45 Survival. 6.15 Meridian News.

SCOTTISH:
9.25 Ask Max. 11.00 Sunday Service. 11.45 Eikon. 12.30 Skoosh. 12.55 Scotland Today. 2.00 Linda. (1973) 3.15 The Towering Inferno. (1974) 6.10 Scotland Today 6.15 Appeal. 11.05 Scottish Weather.

TYNE TEES:
9.25 Ask Max. 12.25 Newsweek. 12.55 Tyne Tees News. 2.55 Cartoon Time. 3.15 The Scarlet Pimpernel. (TVM 1982) 5.50 Tyne Tees Weekend.

ULSTER:
9.25 Ask Max. 12.30 Gardening Time. 12.55 UTV Live News 2.00 Northern Ireland Milk Cup. 2.30 Police Six. 2.40 Woman of Straw. (1964) 4.45 Murder, She Wrote. 5.40 Glenroe. 6.10 Witness. 6.15 UTV Live Early Evening News 11.05 UTV Live News

WESTCOUNTRY:
9.25 Ask Max. 12.30 Westcountry Update. 12.55 Westcountry News. 2.15 Dogs with Dunbar. 2.45 Brief Encounters. 3.15 Westcountry Cameos. 3.20 The Big Gamble. (1960) 5.15 Murder, She Wrote. 6.15 Westcountry News 11.05 Westcountry Weather.

YORKSHIRE:
9.25 Ask Max. 12.25 Nawrang. 12.50 Calendar News. 2.55 Cartoon Time. 3.15 The Scarlet Pimpernel. (TVM 1982) 5.50 Calendar News and Weather 11.05 Local Weather.

RADIO

SATURDAY

BBC RADIO 2
6.00 Sujata Barot. 8.05 Brian Matthew. 10.00 Judi Spiers. 12.00 Hayes on Saturday. 1.30 Jimmy's Cricket Team. 2.00 The Golden Days of Radio. 3.00 Ronnie Hilton. 4.00 Paul Heiney. 5.00 Nick Barraclough. 6.00 Jazz Band Jamboree. 7.00 Cinema 2. 7.30 Guys and Dolls. 10.00 The Arts Programme 12.05 Ronnie Hilton. 1.00 Jon Briggs. 4.00 Sujata Barot.

BBC RADIO 3
6.30 Open University: Talking About the Enlightenment.
6.55 Weather.
7.00 Saturday Morning Concert.
9.00 Prom News
9.30 Record Release. Brahms, Copland, Dvorak, Delibes, Borodin.
12.00 Spirit of the Age.
1.00 Into the Garden. 1.15 Mirella Freni.
4.40 Arvo Part in Bournemouth.
5.00 Jazz Record Requests. With Geoffrey Smith.
5.45 Key Questions. Howard Goodall quizzes a panel of music professionals.
6.30 The King's Singers.
7.30 BBC Proms 1994. Bliss, Rachmaninov, Elgar.
9.40 Studio 3. Victoria. By Kaj Nissen.
10.25 Modern Jazz Quartet. Milt Jackson, John Lewis, Bernice Petkere, Percy Heath, Sigmund Romberg.
12.30 Close.

BBC RADIO 4
6.00 News.
6.10 The Farming Week.
6.50 Prayer for the Day.
7.00 Today.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 Pack the Book.
10.30 The Lipman Test.
11.00 Talking Politics.
11.30 Europhile.
12.00 Inside Money. The Russian stock market.
12.25 A Look Back at the Future.
1.00 News.
1.10 Have Your Say.
2.00 Photo Appreciated.
2.30 Playhouse: One Day at a Time. By Anna Clemence Mews.
3.45 Fit Ups, Portables and Basket Cases. The days of touring theatre.
4.00 History on the Hoof.
4.30 Science Now.
5.00 File on 4.
5.40 Six of Clubs. The search for extra terrestrial life.
6.00 News and Sports.
6.25 The Mark Steel Solution.
6.50 Ad Lib in Australia.
7.20 Kaleidoscope Feature. Profile of singer Pete Seeger.
7.50 Saturday Night Theatre: The Ghost Runner. By David Hopkins.
9.20 Music in Mind.
9.50 Ten to Ten.
10.00 News.
10.15 Looking Forward to the Past. Historical discussion.
10.45 They Don't Still Make That, Do They? Lorgnettes and monocles.
11.00 A Night at the Opera. Writer Julian Mitchell talks about his love for opera.
11.30 Brave New World. By Aldous Huxley.
12.00 News.
12.33 Shipping Forecast.
12.43 (FM) Close.
12.43 (LW) As World Service.

BBC RADIO 5 LIVE
6.05 Daily Tackle
6.30 The Breakfast Programme.
9.00 Weekend.
11.05 Special Assignment.
11.35 The Ad Break.
12.00 Midday Edition.
12.15 Sportscall.
1.04 Sport on Five.
6.05 Ian Botham's Six-o-Six.
7.35 Saturday Edition.
9.05 Asian Perspective
9.35 Out This Week
10.05 The Treatment.
11.00 Night Extra.
12.05 After Hours
2.00 Up All Night.

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m) at these times BST:
6.00 Morgenmagazin. 6.30 Europe Today. 7.00 News. 7.15 The World Today. 7.30 Meridian. 8.00 News. 8.15 Waveguide. 8.25 Book Choice. 8.30 People and Politics. 9.00 News. 9.09 Words of Faith. 9.15 A Jolly Good Show. 10.00 News and Business Report. 10.15 Worldbrief. 10.30 Development 94. 10.45 Sports. 11.00 Printer's Devil. 11.15 Letter from America. 11.30 BBC English. 11.45 Mittagsmagazin. 12.00 Newsdesk. 12.30 Meridian. 1.00 News. 1.09 Words of Faith. 1.15 Multitrack Alternative. 1.45 Sports. 2.00 Newshour. 3.00 News; Sportsworld. 4.00 News. 4.15 BBC English. 4.30 Heute Aktuell. 5.00 News. 5.15 Sportsworld. 6.00 BBC English. 6.30 Heute Aktuell. 7.00 News and features in German. 8.00 Proms 94. 8.20 News: Write On. 8.30 Short Story. 8.45 From the Weeklies. 9.00 News. 9.09 Words of Faith. 9.15 Development 94. 9.30 Meridian. 10.00 Newshour 11.00 News. 11.05 Words of Faith. 11.10 Book Choice. 11.15 Jazz for the Asking. 11.45 Sports. 12.00 Newsdesk. 12.30 Best on Record. 1.00 News. 1.15 Good Books. 1.30 The John Dunn Show 2.00 News. Play of the Week: Real Estate. 3.00 Newsdesk. 3.30 The Years of the Rainbow. 4.00 Newsdesk. 4.30 BBC English. 4.45 News and Press Review [illegible] German.

SUNDAY

BBC RADIO 2
7.00 Don Maclean. 9.05 Bob Holness Requests the Pleasure. 10.30 Hayes on Sunday. 12.00 Desmond Carrington. 2.00 Benny Green. 3.00 Michael Holliday: The Story of His Life. 4.00 End of the Pier. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 Frank Delaney. 12.05 Steve Madden. 3.00 Alex Lester.

BBC RADIO 3
6.30 Open University: American Conversations. 6.55 Weather.
7.00 Sacred and Profane.
9.00 Brian Kay's Sunday Morning.
12.30 Full Score.
1.00 Musical Tales: Hansel and Gretel.
1.15 The Sunday Concert.
2.45 The Nash Ensemble.
4.15 Rotterdam Philharmonic Orchestra. Shostakovich, Mendelssohn, Janacek.
5.35 Interpretations on Record. Beethoven's String Quartet in A minor.
6.35 Prom News. Preview of the forthcoming Promenade concerts.
7.00 BBC Proms 1994. Ethel Smyth.
10.00 Sunday Play: Dictator Gal. David Zane Mairowitz's musical satire. Last in series.
10.40 Pascal Rogé. Debussy. Mozart.
12.05 Arnold Schoenberg.
12.30 Close.

BBC RADIO 4
6.00 News.
6.10 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.15 On Your Farm.
7.40 Sunday.
8.50 The Week's Good Cause.
9.00 News.
9.10 Sunday Papers.
9.15 Letter from America.
9.30 Morning Service.
10.15 The Archers.
11.15 Mediumwave.
11.45 Sunday, Bloody Sunday?
12.15 In the Psychiatrist's Chair.
1.00 The World This Weekend.
2.00 Gardeners' Question Time.
2.30 Classic Serial: The Expedition of Humphry Clinker.
3.30 Pick of the Week.
4.15 Power and Disorder.
5.00 American Beauty: From the Glitter to the Gulch.
5.30 Poetry Please!
6.00 Six O'Clock News.
6.15 Letter from Scotland.
6.30 Children's Radio 4.
7.00 Barging across Europe.
7.30 The Airport.
8.00 History on the Hoof. A curious medical mystery.
8.00 (LW) Open University.
8.30 (FM) Reading Aloud.
9.00 (FM) The Natural History Programme. With Kelvin Boot.
9.30 (FM) Costing the Earth.
10.00 News.
10.15 Hidden Voices. Muslims in Europe.
10.45 Home Truths. John Miller talks to Lady Valerie Solti.
11.15 Poles Apart. Narrated by Peter Jeffrey.
11.45 Seeds of Faith. The choir of Bramdean School.
12.00 News.
12.30 Shipping Forecast.
12.43 (LW) As BBC World Service.
12.45 (FM) Close.

BBC RADIO 5 LIVE
6.05 Hot Pursuits.
6.30 The Breakfast Programme.
9.00 Alastair Stewart's Sunday.
12.00 Midday Edition.
12.15 The Big Byte.
1.04 Sunday Sport.
7.00 News Extra.
7.35 Back to the Future.
9.00 The Ultimate Preview.
10.05 Special Assignment.
10.35 The Ad Break.
11.00 Night Extra.
12.05 Nightcall.
2.00 Up All Night.

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m) at these times BST:
6.00 News and features in German. 6.30 Composer of the Month. 7.00 News. 7.15 Letter from America. 7.30 Jazz For The Asking. 8.00 News. 8.15 Music As It Was. 8.30 From Our Own Correspondent. 8.50 Write On. 9.00 News. 9.09 Words of Faith. 9.15 The Greenfield Collection. 10.00 World News and Business Review. 10.15 Short Story. 10.30 Folk Routes. 10.45 Sports. 11.00 News; Science in Action. 11.30 BBC English. 11.45 News and Press Review in German. 12.00 Newsdesk. 12.30 The John Dunn Show. 1.00 News; Play of the Week: Real Estate. 2.00 Newshour. 3.00 News; The Sparks That Lit The Bonfire. 3.30 Anything Goes. 4.00 News. 4.15 BBC English. 4.30 News and features in German. 5.00 News. 5.15 BBC English. 6.00 World News and Business Review. 6.15 Printer's Devil. 6.30 News and features in German. 8.00 Best on Record. 8.30 Europe Today. 9.00 News. 9.09 Words of Faith. 9.15 Mothers and Daughters. 9.30 Brain of Britain. 10.00 Newshour. 11.00 World News and Business Review. 11.15 Short Story. 11.30 Letter from America. 11.45 Sports. 12.00 Newsdesk. 12.30 The Sparks That Lit The Bonfire. 1.00 World and British News. 1.15 Pop the Question. 1.30 In Praise of God. 2.00 News; With Great Pleasure. 2.45 Music As It Was. 3.00 Newsdesk. 3.30 Composer of the Month. 4.00 Newsdesk. 4.30 BBC English. 4.45 Fruhmagazin.

CHESS

Michael Adams edged closer to the world's top players this week at Dortmund. He finished second behind the Dutchman Jeroen Piket, but ahead of the distinguished trio of Anatoly Karpov, whom he beat in their individual game, Victor Korchnoi and Jan Timman.

This game features one of the current chess opening fashions. When Karpov, Adams and Judit Polgar all began to use 2 c3 against the Sicilian Defence, everyone became interested. The move does sidestep countless theoretical monographs which assume that White plays the usual 2 Nf3.

(M Adams, White; C Lutz, Black; Dortmund 1994).

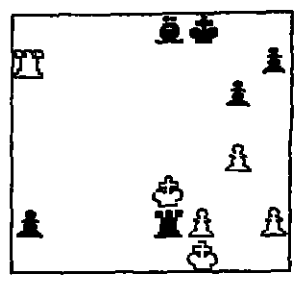
1 e4 c5 2 c3 d5 3 exd5 Qxd5 4 d4 Nf6 5 Nf3 Bg4 6 Be2 Nc6? Black goes astray early. Experience shows that Black should exchange pawns at d4.

7 h3 Bh5 8 c4 Qd6 9 d5 Bxf3 10 Bxf3 Nd4 11 Nc3 g6 12 Be3 Nxf3+ 13 Qxf3 Bg7 14 0-0 0-0 15 Rfe1 Rfe8 16 Rad1 a6 17 Bf4 Qd7 18 Be5! Posing Black a strategic dilemma. If his e7 pawn remains unmoved, White switches his rooks to attack the king; if it advances to e6 as in the game, White has a passed d6 pawn. Qf5

19 Qe3 h5 20 Na4 e6 21 d6 Nd7 22 Bxg7 Kxg7 23 Nc3 b5 24 b3 bxc4 25 bxc4 Rab6 26 Ne4 Rb6 27 Qc3+ Qe5 If Kg8 28 Rd3 with Rf3/g3 to follow.

28 Qxe5+ Nxe5 29 Nxc5 Nxc4 30 d7 Rd8 31 Re4 Nd6 32 Rxe6! En route to an ending two pawns up. fxe6 33 Nxe6+ Kf7 34 Nxd8+ Ke7 35 Ne6 Kxd7 36 Nf8+ Kc7 37 Nxg6 Rb2 38 a3 Ra2 39 Nf4 h4 40 Nd5+ Kd7 41 Nc3 Resigns. If Rxa3 42 Ne4 wins.

No 1032



M Ferguson v M Turner, Smith & Williamson 1994.

S & W, the London and Guildford private bank, sponsors an annual international for young players, won this week by Matthew Turner, 18. What four-move sequence gave him a decisive advantage as Black (to play)?

Solution Page XVI

Leonard Barden

BRIDGE

Today's hand comes from rubber bridge:

N
♠ 4
♥ A J 6 5
♦ A J 9 8 5
♣ 6 4 2

W
♠ K 9 8 7 5 3
♥ 10 3
♦ 7 4 2
♣ 10 5

E
♠ J 10
♥ K Q 9 8 7 2
♦ 3
♣ Q J 9 8

S
♠ A Q 6 2
♥ 4
♦ A Q 10 6
♣ A K 7 3

East-West were vulnerable when South dealt. With a 4-4-4-1 shape South opened with one diamond – the suit below the singleton. North, in spite of his five-card support, gave a quiet response of one heart. South with his powerful 19 points reversed with two spades, forcing to game and North rebid three diamonds. South said three no trumps, but his partner, not discouraged, made a slam try with four diamonds. South, revaluing his hand, went to six diamonds.

West correctly led the two of diamonds, won by the six and declarer decided on a cross-ruff. There were five trump tricks in dummy, and he could ruff three hearts in hand. The four outside winners would give 12 tricks. In such situations the outside winners must be cashed before declarer cross-ruffs – it would be foolish to let West discard a club while hearts were being ruffed.

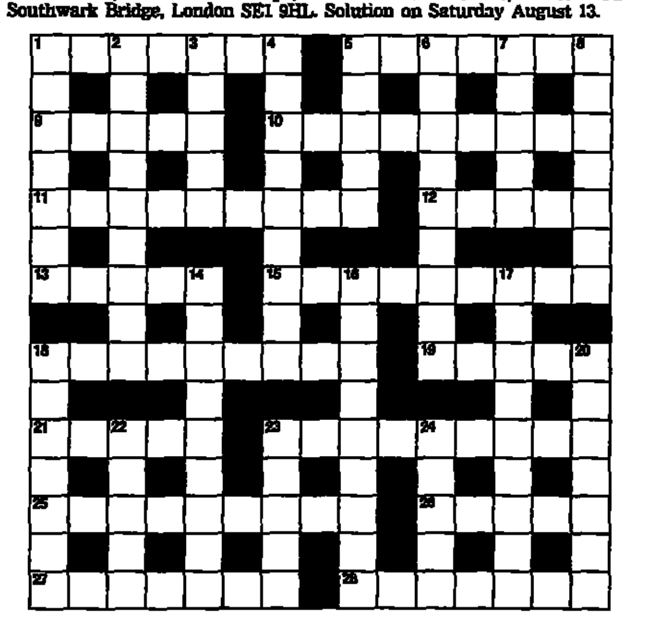
South cashed ace, king of clubs, ace of spades, and ace of hearts. Now the cross-ruff begins. A low heart is ruffed in hand, a spade is ruffed on the table. This is repeated twice. Declarer has taken 11 tricks, and is left with two losing clubs. West is forced to ruff his partner's club winner, but the diamond king on the table supplies the vital 12th trick.

E P C Cotter

CROSSWORD

No. 8,519 Set by CINEPHILE

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday August 10, marked Crossword 8,519 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday August 13.



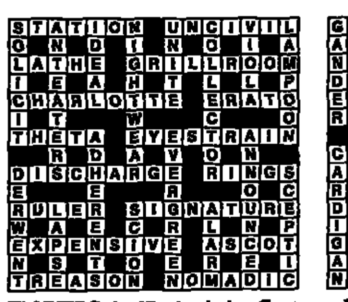
Name...

Address...

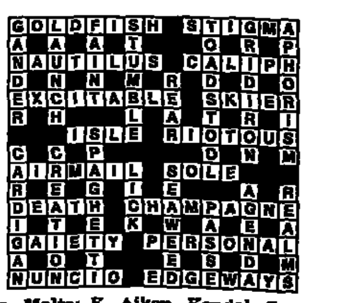
ACROSS
1 Eat bird? (7)
5 Vehicle in which speed's zero could be mothballed (7)
9 With backing America becomes somewhat slimy (5)
10 Cars not allowed: drink, eating ginger cake (2,7)
11 Cars not allowed in pub? (6,3)
12 Pub that's dangerous to the Spanish (5)
13 Poet's under part of one at home (5)
15 Try to get over a nude display (9)
18 Give a lot of money as wage? (3,6)
19 Doctor to deal with party (5)
21 Southern prophet on Greek island (5)
23 Garden structure, awfully trad, in book (4,5)
25 Navigational aid for a walk nearly to Lincoln? (9)
26 Pole, maybe light, to enter mine? (5)
27 Serious listener at home (7)
28 Model to walk like a duck? Nonsense (7)

DOWN
1 Desert Edward VIII's predecessor (7)
2 Supporting an exclamation about unhealthy article (9)
3 Girl finds love – it's catching (5)
4 Tighten spring holiday for protection (9)
5 Saucy escapade? (5)
6 Salute to April Fools' Day? (5,4)
7 I shot out of the lift (5)
8 Even a professional soldier? (7)
14 After death's dealing one may need one (9)
16 Stop a man using a cleaner (9)
17 Like the company chairman in the sea? (9)
18 Frank's job after a long time (7)
20 The operational stage? (7)
22 It measures length, we hear (5)
23 Blow trumpet in Snake Street (5)
24 Advantage arising to investor from girl? (5)

Solution 8,518



Solution 8,507



WINNERS 8,507: A. Agius-Cesareo, Malta; K. Aiken, Kendal, Cumbria; Mrs M.L. Horesh, London W6; H.M. Saraff, Prague, Czech Republic; J. Barnes, East Lydford, Somerset; R.B. Morse, Usk, Gwent.

Just a handful of dust

***Dominic Lawson** looks at the fuss over Michael Atherton's behaviour*

It is not necessary to travel very far from Britain to realise what a very strange place it must seem to foreigners. To spend two weeks in the south of France is to be regaled with the most hair-raising stories of local corruption.

Fingers point at this or that new development which would never have been allowed but for an even larger than usual bribe. The strange thing is that the local politicians who take these payments – no names here, I am afraid – are often spoken of extremely warmly.

After one such encounter I returned to our rented villa and tuned into British satellite television news. Almost the entire bulletin was devoted to the fact that two Conservative MPs had been paid £1,000 each in return for asking a parliamentary question.

Not very seemly, I agree, but southern French heads would shake in disbelief at an entire national news bulletin being dominated by such an item, particularly as it was generally agreed that the two MPs had broken no law.

On my return to Britain I discovered that the newspapers were dominated by another story of less than global significance: a young man was being excoriated by every columnist of note for putting his hand in his pocket and rubbing a bit of dirt on a ball.

True, the man in question, Michael Atherton, is captain of the English cricket team, and his action, during a Test match against South Africa, appeared to infringe one of the less well-drafted laws – never say "rules" – of cricket.

But I am sure that it is not just over-exposure to the heady air of southern French corruption which makes me think there is something absurd in the extent to which Atherton's folly has been elevated to the level of a national scandal, with leader writers being obliged to decide what retribution the readers of The Daily Brute or Beast would wish to see exacted upon a man, it is generally admitted, of outstanding qualities.

Some calls for Atherton's resignation, such as from the BBC's cricket correspondent, Jonathan Agnew, are doubtless sincerely felt. But there is a self-serving element here which goes beyond cant and hypocrisy.

It is that the newspapers love a story to be as big as possible, and that there is nothing bigger than an English cricket captain being sacked. It is also true that the press, like all good story-tellers, require a beginning, a middle and an end. First, with the aid of cameras, they find something out.

Next they expose the malfeasance to public scrutiny and ridicule. Finally the evil-doer must admit the enormity of his error and resign, thus proving that the press were all along justified in their hysteria.

We saw the same process in the case of Tory minister David Mellor (sin: adultery), who lost the game, and in the case of BBC supremo John Birt (sin: dodgy accountancy), who won.

Those who win are highly embarrassing for the press, as The Times has discovered with John Major, who has survived its repeated assertion that he will not survive as prime minister with something bordering on insouciance.

Generally the press have a stock response if one of those who were told to resign succeeds in not doing so. It is that standards of moral probity in British public life have declined lamentably.

Older heads are fond of recalling the case of Sir Thomas Dugdale who resigned, 40 years ago, as minister of agriculture in the wake of the Crichel Down affair, in which the wrong-doing was wholly that of ministry officials. Sir Thomas declared that he was the minister responsible, and must fall on his sword – or plough.

Which leaves me with one dangerously subversive thought. When was the last time that a newspaper editor resigned because of a blunder that he had committed (it does happen)?

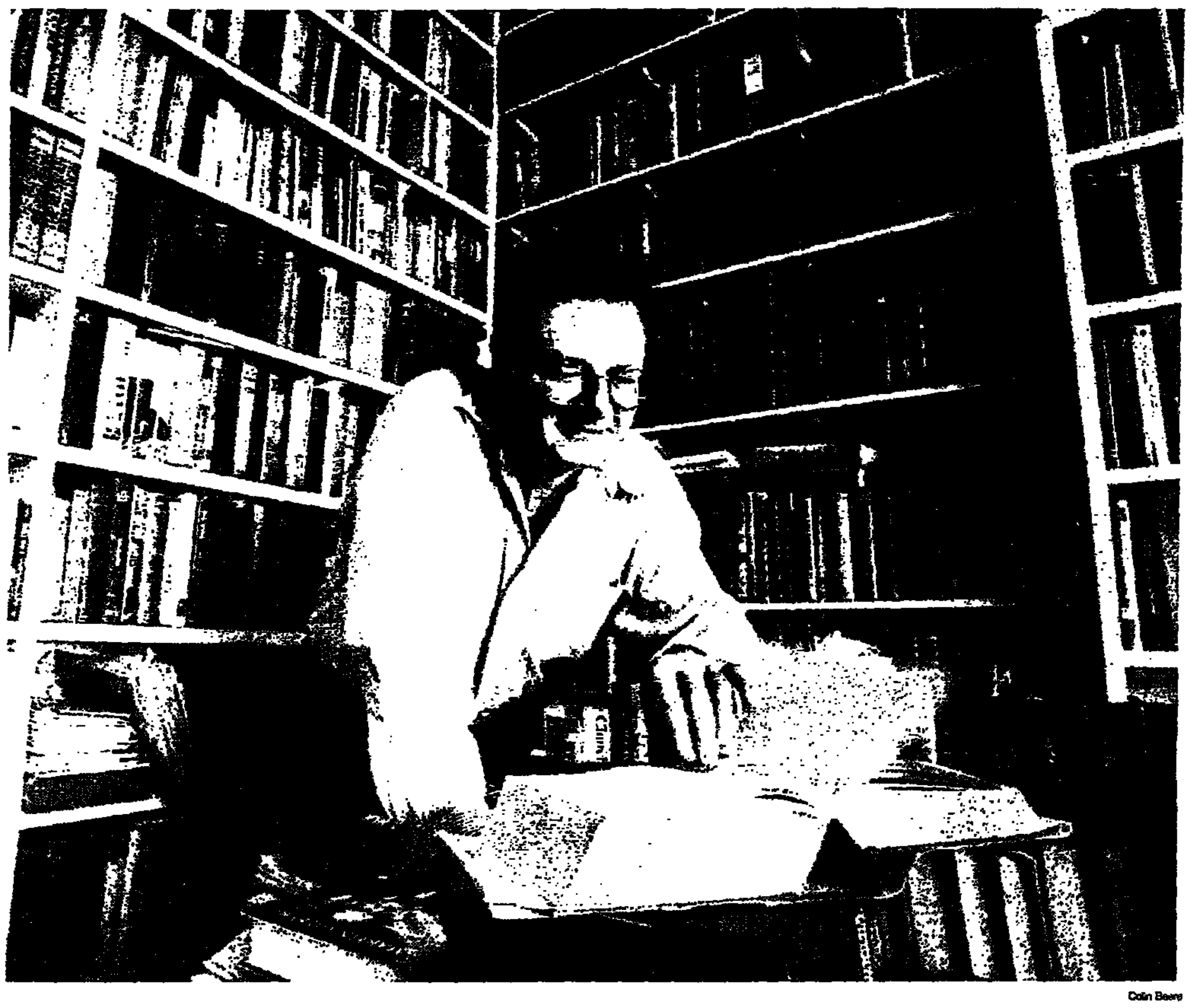
Or when, in the late lamented style of the late lamented Sir Thomas, did a newspaper editor last resign because of some wrongdoing on the part of one of his minions? Answers on a (very small) French postcard, please.

■ *Dominic Lawson is editor of The Spectator.*

Private View/**Christian Tyler**

Man who gave his life to Churchill

*Sir Winston's biographer, **Martin Gilbert**, talks about his own career*



Colin Beere

Everything is there, wrote one reviewer, including Churchill's laundry list. But it is not true, says Martin Gilbert, the English historian who holds the record for the world's longest biography.

"No laundry lists appear in any of my volumes," he said. "It was a funny myth, you see. The reviewer had read in a newspaper cutting something that *was* true – that when I was going through the Churchill archive for 1934 I found a laundry list from Beirut and this alerted me to the fact that he had been in Beirut, which was not in any other biography."

Martin Gilbert started work on Sir Winston Churchill more than 30 years ago. Recruited by Winston's son, Randolph, he assisted with two volumes of narrative and four of documentation. After Randolph's death, he added six more volumes of biography and nine of documents. The tenth companion volume comes out in November, which will bring the grand total of pages to 22,643 and of words to 9,694,000. And there are six volumes still to come – another three or four years' hard work.

Gilbert has just published an entertaining bird's eye view of his literary behemoth, a sort of biographer's autobiography, called *In Search of Churchill*. But it was in search of Churchill's biographer, a much more enigmatic figure, that I panted up Hampstead Hill in north London.

I found him in his word factory, a large study at the back of the house. A fax machine buzzed and clattered in the corner. He seemed cautious but friendly, displaying the mild awkwardness of one who has spent many hours in solitary intellectual confinement.

The greatest living expert has his quirks. To devote almost an entire life to the story of another man, however great, might be counted one of them. Another is maps. Ever since he had to study the Schleswig-Holstein question in his schooldays, Gilbert has been fascinated by them. He lists 'drawing maps' as his recreation.

It is obvious that Gilbert has suffered: from those who use his material to write hostile biographies of Sir Winston, even more from those who twist the facts to suit their revisionist purposes, and from those who accuse him of publishing millions of words without ever arriving at a real portrait.

For a while he evaded my attempts to get him to define his relationship with his subject. Only when I asked if he dreamed about Churchill did he come out of his shell.

"I don't. I don't think I am in any way obsessed by him. But I do get quite agitated if I read something about him which I know to be untrue and somehow to be absurdly untrue, or something very negative which I know to be ridiculous."

Examples, he said, included the assertions that Churchill was a racist, that he was a warmonger, that he was always anti-Soviet, that he was against the miners in the 1926 General Strike. "Any historical figure is very much at the mercy of current fashion, of a clever, knocking attitude, or of some brilliant misportrayal – as I would see it," he said.

To illustrate, he mentioned a recent biography which quoted the phrase 'war attracts my mind' from one of Churchill's letters to his wife Clementine. This was written after watching German army manoeuvres before the first world war, said Gilbert, who promptly recited the full quotation by heart: 'Much as war attracts me, fascinates my mind by its tremendous combination, I can feel here in the midst of arms more than ever before what vile and utter folly and barbarism it all is.'

"The author must have had the full letter because I published it," he added.

Do you write to the papers?

"No, I don't write to the papers. I'm not his defence lawyer. I'm not defending him in a court of law. I'm not obliged, when some of these controversial books come out, to defend him or express an opinion.

"Indeed there are things in my books which have become the basis of the attacks on him. If that's recognised, it's pleasing. I don't have to feel agitated because people take a different point of view."

Have you left certain things out because they were interesting to voyeurs but not to historians?

"No. Once or twice it was the exact reverse." He described an occasion during the war when Churchill was drunk and expressing outlandish opinions. "They were not relevant to the conduct of the war, but I felt I had to bring it in because it is part of him. It took place. It was true."

You have been unusually trusted by your witnesses, I said, especially by people wanting to put the record straight. Did you feel handicapped by their trust?

"Not at all. Sometimes it worked the other way. People confided negative things. It's not that I became the repository of Churchill-lovers. Even within the family there were those with very critical views."

Do you yourself have strong feelings about Churchill?

"I suppose I do. I do feel that some of the things that he fought for and worked for, spent his waking hours trying to do, were important."

That he was a great man?

"That he was a great man. And therefore I do get quite upset if the whole of his life's endeavour is undermined. After all, I've spent quite a lot of my life trying to establish what his life's endeavour *was*."

So what were Churchill's faults?

"His tremendous lack of sensitivity to the attitudes of others. I deal with that in every government department he had. He would bully, bruise and batter others in his determination to make his point."

General Sir Edward Spears, who knew Churchill during the first world war, saw a different fault. It was, he told Gilbert innocently, that Winston was 'too fond of Jews'.

"One reviewer said that, as a Jew, I had a natural sympathy for the underdog and was therefore overswayed by the fact that Churchill was against dictators and expressed sympathy for victims. I think that's too subtle. After all, you don't have to be Jewish to pay heed to the victims of totalitarianism."

I asked Gilbert if he had, after all, written a history rather than a biography.

That could not be true, he replied. It was a "life in the round", about Churchill's personality, emotions, feelings and motivation as well as the events in which he played a part.

It was the biographer's job to bring out such things as Churchill's capacity for alienating people. But it was quite wrong for a biographer to deploy evidence – let alone doctor it – to support his own opinion of his subject.

Why did you go to such lengths as to track down the estate agent who sold him Chartwell? Some people would call that obsessive.

"No, no. It's my professional approach really, my academic training." Gilbert said he learned his methods from A J P Taylor, his tutor at Oxford, a brilliant exploiter of public archives and private diaries.

Do you think there is such a thing as the truth?

"Yes, there is historical truth. But if truth is a building it has two things undermining it: one is perspective, and one is the lack of evidence. I do believe there is such a thing as true history, but it's not necessarily tremendously exciting or revelatory. It's not the history of the conspiracy, the secret."

There must have been times, I said, when you wished you had never started.

The hardest part, he said, was tracking down those who in the 1930s had kept Churchill supplied with government secrets, allowing him to campaign against appeasement. One thing that kept him going throughout was the false picture being painted by others.

In your desire to correct have you not become seen as an apologist?

"People are wrong in saying that somehow I am Churchill's partisan. They are mistaking partisanship which excludes evidence for an attempt to tell the story as it actually was."

But isn't someone who spends 30 years of his life on a biography bound to be partisan?

"I don't think so. He must have certain feelings which encourage him to get to the bottom of it. Suppose I had done Hitler. I can envisage being just as thorough and not coming out as an apologist of Hitler."

In writing such a book, I suggested Gilbert had put himself at the mercy of reviewers since few non-historians would read it.

He agreed and talked of a "Berlin Wall" between a writer and his readers. Some reviewers, he said, "make you weep with pleasure and delight. With others you think this man is simply not writing about my work." Whichever the case, readers of the work were greatly outnumbered by readers of reviews.

For instance, the historian Philip Ziegler had described the work as 'monocular'. "It wasn't even ill-meant. It was a phrase, quite a clever phrase. I'm not *quite* sure what it means but it has that slight pejorative thing. So hundreds of thousands of people will say 'Ah, yes, well, that's Gilbert. He's monocular.' So my portrait in the round, as I believe it to be, somehow doesn't exist in those readers' perceptions."

So you feel you have acquired the opposite label from the one you have earned?

"Yes, but I think you have to step back and say 'I'm not spending my professional life in order to get a good label or run away from a bad one.' It's unfortunate and sometimes it's rather painful but, you know, that's not the object of the exercise."

What will you do next?

"I haven't decided. When I was appointed to succeed Randolph I was about to write the biography of Cripps. But now there is one."

You can pick and choose, can't you?

"I have been so spoilt by archives that I think I could only choose somebody whose archival impact was enormous."

Do you mean Stalin?

Gilbert paused. "No. I think, I'll leave Stalin to friends and colleagues. No. I was thinking of some British figure. But I haven't one in mind."

He smiled. "All suggestions gratefully received."

Such woolly ideas

Nigel Spivey

Once it was fur coats. Now, since fashion gurus have obscured the difference between real and ersatz hides, it is woolly jumpers. Shops one thought of as staid – the Scottish knitwear specialists, with their changeless tartan ties and avuncular cardigans – have become targets of the Animal Rights Militia.

This is the organisation which gutted the Cambridge store of Edinburgh Woollen Mills earlier in the month. The local animal rights spokesman allocated precise credit for the action to a guerrilla subgroup of his movement, known as the Justice Department. And justice, he said, had been done on the grounds that "sheep-shearing leaves sheep susceptible and cold as a naked human."

This was not an isolated incident. The Cambridge branch of Boots the Chemists was set alight, and certain research units around Britain have received a new sort of home-made bomb: an exploding mousetrap primed with razor blades. This aims not only to remove the digits of those scientists suspected of animal abuse, but also makes a statement on behalf of mice, so often the choice for laboratory tests.

A flurry, then, of animal rights activity. There is nothing new in this. But the extension of anathema-status to pullovers is new, and it is always interesting to watch how the British deal with such issues, for the British make it part of their self-definition that they are kind to animals when others in Europe, especially southern Europe, are not.

This nationalistic pride was trumpeted during European negotiations about rules for transporting livestock. Even those of us who like a good steak, it seems, are concerned that the ox shall travel to his slaughter in decent comfort.

Gourmets will point out that a well-rested beast tastes better, so this is not pure charity; still, it is true that the British get angry about the ill-treatment of animals, and in that sense the *animal rights* movement is never entirely marginal.

Whether many wool-wearing people or even woolly liberals will ever feel pity for chilly sheep is doubtful. But translating kindness towards animals into justice for animals is something that we ought to take more seriously than we do, and scientists, with distinguished exceptions, such as James *Gaia* Lovelock, are too quiet about it.

Those activists who resort to pyromania are probably not the sort to engage in rational argument. Yet it is a debate which used to be very much alive in pagan philosophy. Pythagoras, who first articulated vegetarianism in the sixth century BC, was only one of many thinkers who addressed animal rights.

But Christian theologians from St Augustine onwards have quelled the issue, being content to accept the animal kingdom as a part of creation subordinate to human needs. According to St Augustine, if we took the commandment *"Thou shalt not kill"* as an injunction not to slaughter animals, we should also have to prohibit ourselves from uprooting parsnips.

This is what logicians call a slide. To say that one move will lead to another is a familiar method for blocking moral progress. Faced with a man who believes that sheep should not be shorn, we might then insist that he abstain from the consumption of honey, milk and eggs – all of which have been regarded as theft by some legally-minded purists – and, like St Augustine, challenge him to wrench a happy parsnip from the earth.

The application of human justice to the animal world hinges, as Richard Sorabji demonstrated recently in *Animal Minds and Human Morals* (Duckworth), on how far we consider animals to share in the human capacity for reason.

Charles Darwin believed that there was no human trait which could not be found reflected in one animal or another: but modern scientists, following Aristotle, have been forced to use an exclusion zone based on a technicality. The technicality is that animals have no syntax. It follows that if a creature cannot construct a sentence, then we are at liberty to do with it what we will in the slaughterhouse or the research institute.

Consideration of babies, parrots and chimpanzees will immediately generate worries about the absolute logic of this technicality. Indeed, it is hard to see what relevance it has in a debate which is primarily about pain and the capacity of living things to feel it.

Pythagoras stopped a man beating a dog because he recognised in the dog's yelps the voice of an old friend. Most of us, if we think about it, will admit unease about testing chemicals on beagles. That does not mean, necessarily, that we would not wish chemicals to be tried on rats, nor that we should charitably prefer to wear nylon rather than wool.

What matters is that we give the matter some thought. In that sense, one has to feel grateful for the occasional arson attack. Crass as they are, such actions are not unfounded. They rightly make us think.

Continued from page I

England's one-party state

bedrock. The Conservatives have *never* polled less than 40 per cent of the English vote in a general election. Exclude the inner cities, and at the last election they took more than half the vote across England. Under a similar electoral system to the UK's, France's ruling Gaullists triumphed in last year's French election with the support of a mere 28 per cent of the electorate.

Furthermore, the non-Tory vote is deeply divided – and divided most of all on the issue of opposing the Conservatives. Since the 1950s about half the Liberal vote has typically been second preference Tory: the rise of the Liberals in the last 20 years signifies, above all, a decline of support for Labour among the English electorate.

True, Liberal MPs and activists have typically been closer to Labour than the Tories, but knowing their electorate to be more ambivalent they have been wary of saying so. Even now, with policy divisions between Liberal Democrats and Labour infinitesimally small, the two parties glare at each other across a raised drawbridge.

What, then, of Gray's notion that under Thatcher the Tories converted to a radical variant of market liberalism profoundly offensive to the English middle class?

The Conservatives have, in fact, long been the party of market liberalism. Back in the late 18th century William Pitt's Tory party was committed – until deflected by the wars against revolutionary France – to tax cuts and an assault on tariffs and budget deficits.

The early 19th century saw a struggle between the free market and the landlord consciences of the party. It was resolved in favour of the free marketeers by Sir Robert Peel's repeal of the Corn Laws in 1846. This established the Tories' commitment to minimum levels of taxation and economic intervention consistent with the winning of wars and elections, although trade protectionism continued to be an issue.

Disraeli's "one nation" rhetoric in the 1870s was a smokescreen for a social policy consisting of two essential and enduring principles: the identification of the Tories as the party of all property-owners, not just landlords; and the trumping of whichever social reforms – enacted or likely – of the party's Labour or Liberal opponents were judged necessary for electoral success.

Under Salisbury that meant upholding Gladstone's extension of the franchise. Under Stanley Baldwin, in the inter-war years, it meant accepting a social safety net. After the second world war it meant preserving the welfare state.

What happened in the 1980s was not a conversion to market liberalism, but a social change within the Tory élite which strengthened its startling discovery that the party had become Britain's natural governing force. A new self-confidence, bolstered by Thatcher's leadership, led the party to espouse its market liberalism more forcefully than it had done for decades.

The social transformation was dramatic. In 1939, the Tory party's 400 MPs included just 10 solicitors, eight accountants and four teachers. "When the call came to me to form a government," recalled Baldwin of his first government in 1923, "one of my first thoughts was that it should be a government of which Harrow should not be ashamed."

Tory cabinets were stuffed with aristocrats and their close relations as late as Harold Macmillan's premiership in the early 1960s. Macmillan's successor was the 14th Earl of Home, and most of the old brigade survived under his successor, Edward Heath.

Neither Thatcher (Grantham High) nor Major (Rutlish Grammar) were – or are – much concerned at the shame of Harrow and Eton. Under Thatcher, the sons of teachers, doctors, mainstream professionals and small tradesmen largely replaced the landowners, barristers and wealthy businessmen on the Tory benches in the House of Commons, and followed them into government. The result is a Tory élite more representative of its electorate than ever in the party's history. Major is its apotheosis.

For all its new-found radicalism, the new Tory élite has been wary of reining back the public sector. Privatisation and the curbing of trade unions, policies popular or at least inoffensive to middle England, have been the most radical changes of the last decade. By contrast, spending on state benefits, education and health services has risen broadly in line with the expectations of the Tory middle classes.

Kenneth Clarke (Nottingham High School, Cambridge University), the archetypal modern Tory MP, addressed four-square the question of the middle classes and public spending in a recent lecture which brilliantly exhibited the sensitivity of the modern Tory antenna. "It is idle to think that middle England does not sometimes feel worried," he declared. "Providing a sense of security in an uncertain and changing world has nothing to do with feathering middle England" – which, of course, is just what middle England likes to think. Indeed, the greatest 1980s catastrophe – the poll tax – occurred because Thatcher was *too* mindful of the raw prejudices of middle England's home-owning ratepayers.

Clarke put his finger on the nub of Tory vulnerability in the next decade – English middle-class insecurity in the face of employment uncertainties and flat or falling house prices.

There is nothing new in such middle-class anguish, as a brief glance at Agatha Christie's detective novels will confirm. In the past, however, middle England looked to the Tories as a guardian from insecurity – in particular from the evils, real and imagined, of Liberal and Labour governments. Now, middle England appears to be laying the blame for its insecurity at the feet of a Tory government. Just possibly, if the *angst* persists, a new model Labour party renouncing redistributive socialism and led by an impeccable public schoolboy could become the repository of middle English anguish in a general election.

It is a paradox that successful Conservative parties are rarely conservative in practice, since without a capacity to adapt to change they could never succeed for long in government. Their conservatism lies in their rhetoric and the emotional loyalties they inspire. For summer reading, Tony Blair could do worse than a biography and collected speeches of Lord Salisbury.

■ *This is adapted from* A Conservative Revolution? The Thatcher-Reagan Decade in Perspective, *edited by Andrew Adonis and Tim Hames, Manchester University Press, £35 hardback, £12.99 paperback.*